



STATE OF VERMONT DEPARTMENT OF TAXES

2005 – 2006

BIENNIAL REPORT

TOM PELHAM, COMMISSIONER

COMMISSIONERS OF TAXES

W.P. Dillingham.....	1882-1888
J.L. Martin.....	1888-1890
P.K. Gleed.....	1890-1892
J.L. Martin.....	1892-1894
D.J. Foster.....	1894-1898
D.H. Lewis.....	1898-1900
J.E. Cushman.....	1900-1913
Charles A. Plumley.....	1913-1919
John M. Avery.....	1919-1920
Melvin G. Morse.....	1920-1921
Fred B. Thomas.....	1921-1925
Paul A. Chase.....	1925-1925
Erwin M. Harvey.....	1925-1945
George H. Amidon.....	1945-1949
Leonard W. Morrison.....	1949-1958
Austin B. Noble.....	1958-1961
Charles T. Shea.....	1961-1965
Gerald S. Witherspoon.....	1965-1969
Lawrence A. Wright.....	1969-1971
Edward Bartlett.....	1971-1972
Robert Lathrop.....	1972-1977
R. Paul Wickes.....	1977-1978
Harriet A. King.....	1978-1981
Elaine K. Hoiska.....	1981-1984
Norris Hoyt.....	1984-1991
Joyce H. Errecart.....	1991-1994
Betsy Anderson.....	1994-1995
Edward W. Haase.....	1996-1998
Sean P. Campbell.....	1999-2000
Janet Ancel.....	2000-2003
Richard Mallary.....	2003-2003
Tom Pelham.....	2003 - Present

OUR MISSION

*TO COLLECT THE PROPER
AMOUNT OF TAX REVENUE
IN A TIMELY AND EFFICIENT
MANNER TO PAY FOR THE
GOODS AND SERVICES PEOPLE
RECEIVE FROM STATE
GOVERNMENT;*

*ADMINISTER BENEFIT
PROGRAMS THROUGH THE
MOST EFFICIENT MEANS
POSSIBLE;*

*SERVE LOCAL GOVERNMENTS
BY STRIVING TO IMPROVE
LOCAL PROPERTY TAX
ASSESSMENT PRACTICES;*

*TO ASSIST AND SERVICE
TAXPAYERS, LEGISLATORS AND
ALL OTHERS BY ANY MEANS
POSSIBLE.*

TO THE GENERAL ASSEMBLY OF THE STATE OF VERMONT

I am pleased to present the Biennial Report of the Commissioner of Taxes for 2005 and 2006, as required by 32 V.S.A. § 3101(b). The past two years have been busy with implementing changes to Vermont's corporate income tax system, sales tax system, modifications to Act 68, and the improvement of our tax collection systems through the better use of technology.

The legislature adopted Departmental proposals that make our tax system more equitable. Over the past two years, we've been implementing these changes. Significant among these are the adoption of unitary combined reporting for corporate income tax payers and our membership in the Streamlined Sales Tax Project. Unitary combined reporting diminishes opportunities for certain aggressive tax management strategies available to multi-state corporations and helps create a level playing field with respect to Vermont-based corporations. Similarly, the Streamlined Sales Tax project, which is a joint venture among over 20 participating states, allows Vermont to better collect sales taxes on items purchased over the Internet. By not collecting sales taxes on items sold over the Internet, out-of-state retailers automatically had a 6% price advantage over in-state sellers who are registered with the Tax Department and collect sales taxes.

The Department's computer system has now been "certified" by the IRS, which means we can now integrate IRS data with state tax data. This capability provides the Tax Department with more ability to enforce our tax laws using data management tools. Over the past three years, the annual rate of growth of collection of delinquent taxes has been 14%. By identifying non-compliant individuals and business entities and assuring they meet their tax obligations, our tax system becomes fairer, especially for taxpayers who consistently meet their Vermont tax obligations.

During the 2006 legislative session additional changes were made to Vermont's prebate and rebate programs. Beginning in fiscal year 2008, which starts on July 1, 2007, rebate and prebate checks will no longer be sent directly to taxpayers. Instead, funds will be sent to the taxpayer's town, which will then credit the taxpayer's property tax bill. Over the past year, the Department has worked diligently to inform the public of these changes and establish the technological links with Vermont's towns in order to implement efficiently the new system.

The Tax Department is continually looking for ways to be more effective. We instituted VTBizFile, a web-based option for sales, meals and rooms and withholding taxpayers to file and pay tax liabilities electronically. More recently, we have enhanced this effort by allowing taxpayers to use ACH debit as well as credit cards. Also, last year we were the 4th fastest growing state in the country relative to the rate of growth of e-filed returns. Two years ago, only 27% of our personal income tax returns were filed electronically. Last year, the rate had grown to 45%. E-filing allows the Department to process returns more quickly as well as significantly reducing the cost of processing the return.



TOM PELHAM
COMMISSIONER OF TAXES

Respectfully submitted,

A handwritten signature in black ink that reads "Tom Pelham". The signature is written in a cursive, slightly slanted style.

Tom Pelham
Commissioner of Taxes

TABLE OF CONTENTS

Commissioners of Tax Commissioner's Letter	
Department Highlights-----	1
Administration -----	1
Information Systems -----	1
RAARP -----	1
Property Valuation & Review-----	2
Compliance -----	3
Taxpayer Services -----	4
Active Trust Tax Accounts -----	4
Returns Examined -----	5
Interest Rates -----	5
Revenue Per Unit of Tax -----	5
Highlights of Tax Legislation-----	6
Tax Litigation -----	12
Formal Rulings -----	13
Technical Bulletins -----	15
Description of FY2005-2006 Taxes -----	16
Tax Credits and Programs -----	18
Three Year Comparison of Receipts by Tax Type -----	19
Major Tax Receipts - Ten Year Historical Summary-----	20
Meals & Rooms/Sales & Use Tax Statistics - FY2005-2006 -----	26
2004 Personal Income Tax Return Statistics -----	29
Income Tax Returns - Counts-----	29
Income Tax Returns - Dollars-----	30
School Property Tax Adjustments -----	31
Homeowner Rebate -----	32
Renter Rebate -----	32
2005 Personal Income Tax Return Statistics -----	33
Income Tax Returns - Counts-----	33
Income Tax Returns - Dollars-----	34
School Property Tax Adjustments -----	35
Homeowner Rebate -----	36
Renter Rebate -----	36
Historical Summary of Property Tax Prebates & Rebates-----	37
Historical Summary of Homeowner & Renter Rebates -----	38
Key Personnel	

DEPARTMENT HIGHLIGHTS

Administration

The Administration section includes the Commissioner, Deputy Commissioner, General Counsel, Policy Analysts, Taxpayer Advocate, Business Manager and their immediate staff- a total of sixteen permanent, full-time employees. This section has responsibility for overall management of the Tax Department. The Administrative Division sets Department policy, responds to tax policy inquiries from the Governor and Legislature, promulgate rulings and issues technical bulletins to implement tax legislation, directs tax appeal hearings and representation of the Department in appellate, civil and criminal litigation. This Division also provides budget preparation and fiscal management services, personnel administration and payroll processing, procurement of goods and services (including contract administration) and inventory control for office supplies, furniture, equipment and tax forms.

Administration is also responsible for mailroom and stockroom operations, including the distribution of tax forms, refund checks, delinquency notices, bills and any special mailings to taxpayers. It also coordinates all aspects of the substitute forms program.

Information Systems

Information Systems manages automated information processing for the Department. In this role, the division supports the Department as well as over 500,000 taxpayers and all the municipalities in the State. The unit is staffed by twenty-four technical positions. The goal of the division is to provide automated solutions that enable the Department to meet the needs of Vermont taxpayers in an accurate and timely manner.

During 2005 and 2006, many of the Division's resources were focused on integrating local option sales tax into the Vermont Integrated Revenue and Collection System (VIRCS), accomplishing IRS Certification of VIRCS, meeting legislative changes to the property tax assistance programs and implementing the Streamlined Sales Tax Project.

Vermont taxpayer participation in the Fed/State E-file program has continued to increase annually. This program allows Vermont taxpayers to have both their Federal and State personal income tax returns processed electronically. Taxpayers can choose to have their refunds direct deposited to their bank accounts. Direct debit for tax payments was implemented in 2005 allowing taxpayers to have their payments automatically deducted from their checking accounts on whatever date they select.

The Division continues to support property tax administration statewide. It provides support to towns and municipalities using the CAPTAP II software for their listing and tax billing needs.

As we go forward into 2007 and 2008, the resources of the Division will be directed toward the migration of taxes from the mainframe to a new integrated tax system as well as responding to changes to the existing integrated tax system. The Division will continue to support towns' efforts to meet annual legislative changes in particular, the provisions of 2006 No. 185. Additionally the Division will be involved in the Department's efforts to expand electronic filing options for taxpayers including the development of Modernized Fed/State E-File from the IRS.

Revenue Accounting and Returns Processing (RAARP)

The RAARP section consists of 18 permanent, full-time employees and 36 tax-season temporary employees. This Division is responsible for all revenue accounting and revenue and returns processing for the Department. Those duties include: receiving, opening and routing all incoming mail; tax return validation and control; data capture via traditional key entry or scanning/imaging; daily bank deposits and related cash management functions including credit card payments and electronic funds transfer, direct deposits, refund management, GAAP/Vision reporting, and bank account/general ledger reconciliation.

In 2005 the division processed 350,068 Personal Income Tax returns of which 114,353 came through the Fed/State E-file program, a 128% increase over 2004. In 2006, there were approximately 353,000 Personal Income returns processed of which 143,000 came through the Fed/State E-file system. Approximately 41% of all personal income tax filers are using the Fed/State E-file program. The Department anticipates an increasing number of E-Filers for 2007.

Property Valuation And Review

The Property Valuation and Review Division (PVR) provides administrative support for Vermont's property tax system. It assists in the development and execution of State property tax policies and the administration of several State property tax related programs. Many functions assigned to the Division involve taxes and programs that are primarily administered by municipal governments; hence PVR works extensively with local governments in the performance of its duties.

Major programs administered by PVR are detailed below. In addition, the Division frequently performs other functions such as the appraisal of State-owned buildings and land and provides staffing for both Executive and Legislative studies and commissions.

Equalization Study. Annually, the Division conducts a study that results in estimates of the fair market value of all taxable property in all Vermont school districts. The principal product of the study is the Equalized Education Grand List (EEGL) which is an estimate of the total fair market value of property that is taxable for school purposes. After determining the EEGL, the school district's common level of appraisal (CLA) is determined by calculating the ratio of the municipality's actual grand list to PVR's EEGL estimate - hence the CLA is an estimate of the level of appraisal of that municipality. The CLA is used in the calculation of the school tax rates (Homestead and Nonresidential) that all municipalities are required to assess against individual grand list properties on an annual basis. The Equalization Study is a type of "ratio study". Ratio studies are based on the ratios that compare arm's length sale prices to the corresponding values found on towns' grand lists. The municipality's grand list is then adjusted to reflect the deviation from fair market value. Sales verification to determine the arm's length status of sales involves considerable input from local appraisal officials but the final determination of validity rests with the Division. The Division has conducted Equalization Studies since the early 1970s. In 1997-8, the Division undertook a thorough review of the methods and procedures used in the Study including an evaluation by an independent consultant. As a result, extensive changes were implemented beginning with the 1999 Study. The major changes involved improvements in the statistics used in the Study and in the review of sales, both aimed at increasing the reliability of the fair market value estimates.

Current Use. The Current Use, or the Use Value Appraisal program, allows enrolled property owners with eligible land and buildings to have their property taxes assessed on the productive value of their property, as opposed to its fair market value (which is the legal standard for assessment of most other real property). Enrolled owners agree to keep this property in productive agriculture and/or forest use. Owners pay property tax based on separate agriculture and forest productive values that are established annually and are uniform throughout the State. Farmers who are enrolled can also have their qualified farm buildings exempted from tax. All enrolled property is assessed at its use value, which is the value reflected in PVR's equalization study. This results in lower education property taxes for affected municipalities. The Division administers a "hold harmless" program that reimburses municipalities for the reduction in municipal taxes resulting from this program. Owners of enrolled land who develop their property or choose to discharge the lien (which is a requirement for participation in the program), must pay a Land Use Change Tax. The tax is computed at variable rates based on the length of time the property remained enrolled in the Current Use program and it is payable to the State's General Fund.

Vermont Mapping Program. The Vermont Mapping program produces and distributes orthophotographic maps, both analog and digital, for the State. Analog maps exist statewide in two vintages. Digital orthophotography has been completed for all 14 counties. Sales of the digital products have surpassed expectations, underscoring the value of our mapping products. The Mapping Program received funding in the fiscal year 2005 and 2006 Capital Budget to begin a new statewide round of capturing digital production. Assuming ongoing funding is forthcoming, it is our intent to capture new digital images of the entire State over the next several years. The digital format enhances the accuracy of the product and allows for new uses in concert with evolving software technologies. For example, the digital elevation model allows contours to be generated that can be used with property maps and digital orthophotography to create a comprehensive view of property. This enhanced technology allows appraisal officials to more accurately value vacant land from a remote site, thus enhancing both tax equity and operational efficiency. The maps are used heavily by an array of public and private sector organizations to aid in their planning and operational functions.

Computer Assisted Property Tax Administration Program (CAPTAP). To assist local officials and enhance the standardization of assessment practices within the State, PVR supports computer software for determining property values and administration of the property tax. The Division and Department IT staff currently support a software program called CAPTAP-II. While the use by municipalities of the CAPTAP software is elective, it is the Division's goal to provide an effective software product that municipalities will find advantageous. The Tax Department contracts with selected software developers to produce the programs and provides direct support to municipalities for software use. Currently about 182 municipalities use the component of CAPTAP-II that produces assessment values while more than 244 municipalities use the tax billing and administration component. Also the Department provides direct support services for its CAPTAP-II products to 168 municipalities.

DEPARTMENT HIGHLIGHTS - CONTINUED

Property Tax Appeals. PVR fulfills several quasi-judicial functions with regard to property taxation. The most important involves appeals by property owners of values set by municipalities. The “State Appraisers” hear assessment appeals from the local level. Although administratively attached to PVR, the State Appraisers serve as independent hearing officers and determine values based on the evidence presented at administrative hearings. Typically the State Appraisers hear more than 150 appeals annually. In addition to property assessment appeals, the Director of PVR hears the first level of appeals relative to the Current Use program and the Equalization Study.

Technical Support of the Property Tax System. The Division has eight District Advisors who offer direct assistance to local assessment officials (listers and municipal assessors). The Advisors are located regionally to offer legal and technical advice to listers throughout the State. The expertise available from the Advisors is particularly important as many local officials have a limited background in property assessment. District Advisor support both enhances the reliability of assessments and results in greater standardization of assessment practices throughout the State. The Division provides additional support to local officials through a Department attorney and other centrally located staff with expertise in property assessment, property tax administration and property tax law.

State real estate taxes (Real Estate Withholding, Property Transfer and Lands Gains). Real Estate Withholding (REW) is not a tax per se, but a 2.5 percent withholding of the consideration involved in a transfer of real property interests by entities that are not resident to Vermont. The withholding is required to insure that the appropriate amount of taxes on any gain resulting from the transfer is paid when the seller files a Vermont income tax return. PVR staff also review the income tax returns associated with withholding to determine final tax liabilities relative to the withheld amounts. The Property Transfer Tax is an amount due from a buyer of Vermont real property and is based on a percentage of the sale price. The general tax rate is 1.25 percent of the total sales price paid for real property. However, though for property that is to be used as a principal residence there is a split rate with .5 percent applied to the first \$100,000 and 1.25 percent applied to the remaining value. Land Gains is a tax imposed on the seller of real property held for a relatively short period and resold. The purpose of the tax is to discourage speculative property transactions by imposing tax on a sliding scale, with a higher rate on gains from real property held for a shorter term. All three of these taxes have exemptions that reduce or eliminate the tax under statutorily defined circumstances.

Data collection and analysis. PVR has the statutory duty to collect and disseminate information about property taxation in Vermont. The primary data collections include property assessments from all municipalities (the grand lists and the summary of the grand lists) and property tax rates. Beyond this, the Division annually collects a variety of information including utility values, locally elected municipal officials and property sales. The Division makes this information available to local officials, State government and the public through its Annual Report. The Division also produces and distributes to municipalities a number of forms that are used in the administration of the property tax.

Payment in Lieu of Taxes (PILOT). State-owned property cannot be taxed by municipalities in Vermont. The PILOT program serves to partially compensate municipalities for the reduction in tax base due to the presence of State-owned buildings and land. PILOT payments are made annually and are calculated based on the value of State-owned property and a statutory rate.

Compliance

Compliance is the enforcement division of the Department of Taxes. The Division continues to utilize technological advances to give it greater capabilities for case selection and collection tracking.

Audit Results for the biennium. The compliance division has 28 tax examiners. Audit assessments include all taxes administered by the Department but the predominant tax types examined were: sales and use, meals and rooms, diesel and gasoline, corporate income tax and individual income tax.

We remain very active in the pursuit of income tax non-filers. In 2005, field and office examination resulted in assessment of a total of \$23.7 million dollars. In 2006, assessment totaled \$21.5 million dollars. Audit cases include assessments, payment of refunds, cases that resulted in no assessment to the taxpayer and examinations resulting in the reduction of refund claims.

Collection results for the biennium. Approximately 14 full-time positions are devoted to the collection of delinquent taxes. In addition to tax collection, the Department offsets income tax refunds for debts owed to other State agencies and the IRS. About \$2 million dollars is collected each year under the debt offset program and sent to the agencies.

The gross amount of tax accounts receivable is approximately \$118 million dollars. Collection of delinquent taxes is approximately \$47 million per year.

DEPARTMENT HIGHLIGHTS - CONTINUED

Taxpayer Services

The Taxpayer Services Division provides taxpayer assistance by responding to taxpayer questions, assisting in completing tax forms and resolving tax problems for taxpayers, distributing educational materials, encouraging voluntary compliance with Vermont tax laws and examining tax document information. These activities help assure that the Department receives accurate information and the appropriate amount of taxes. The Division also distributes and processes applications for the Lifeline and V-Script programs. The Division administers twenty-six taxes (freight line and equipment tax was repealed in January of 2006), six licensing programs and programs that assist homeowners and renters in paying their property tax and rent respectively.

The Division continues to assist homeowners with homestead declaration filings to ensure that their property is assessed school property tax by a municipality at the homestead rate. The Division expends much effort educating taxpayers on the importance of filing this form. Approximately 168,000 homestead declarations were posted in FY 2006.

Effective January 1, 2007, Vermont became a full member in the national Streamlined Sales Tax Project. As full members of the national Streamlined Sales Tax Agreement, Vermont will be entitled to require collection and remittance of the sales tax by participating out-of-state vendors who otherwise would have no obligation to collect and pay these taxes. The Division has held meetings around the state to educate sales tax filers about the Streamlined Sales Tax changes to Vermont's sales tax.

Unitary combined reporting became effective January 1, 2006. Unitary combined reporting requires C corporations conducting a unitary business with other affiliated corporations to report (combine) their income for tax purposes. At the same time the corporate income tax rate was reduced for all income brackets. Department personnel working with the unitary corporate income tax have received training. Forms and instructions are being prepared to capture the new reporting requirements. The first required unitary returns will be due in March of 2007.

Effective December 31, 2006 Economic Advancement Tax Incentive Awards will no longer be granted by the Vermont Economic Progress Council. This program will be replaced by the Vermont Employment Growth Incentive (VEGI) Program which will become law January 1, 2007. This is a payroll-based growth incentive program designed to create good paying jobs for the State of Vermont. The Division will continue to process existing Economic Advancement Tax Incentive (EATI) credits as it administers the Vermont Employment Growth Incentive (VEGI) Program.

The Division responds annually to approximately 154,000 telephone calls. An automated telephone system is also available 24/7 to individual income taxpayers who can check on the status of their refunds, the status of their homestead declarations, the amount of their prior year education property tax payment and the amount of their estimated income tax payments. Taxpayers may also receive assistance by fax, e-mail, letter or by visiting the office.

The Division provides assistance for businesses through seminars and outreach programs. The Division trains volunteer groups such as the Vermont Income Tax Assistance and Tax Counseling for the Elderly (VITA/TCE) that help citizens complete income tax returns. Division staff provide assistance in Montpelier and two days a week from February 1st through April 15th at the IRS in Burlington.

The Division continues to support electronic filing of business trust taxes (withholding, sales and use, and rooms and meals) with its BizFile application, which allows filers to file and pay using ACH debit or credit card. VTPay enables taxpayers to pay bills, estimated tax payments and current year personal income tax liabilities using a credit card. The Homestead Declaration website will offer electronic filing of the property tax adjustment claim for the first time in January of 2007. In 2006 the Division received 90,000 electronically filed Homestead Declarations. Fed/State E-File continues to attract additional personal income taxpayers with over 141,000 participating in 2006. E-Filers can opt to have their refund directly deposited into their account or schedule the payment of their tax liability electronically.

ACTIVE TRUST TAX ACCOUNTS

	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
Sales and Use Tax			
Monthly	7,552	7,456	8,010
Quarterly	5,605	4,523	5,592
Annual	21,467	19,476	21,013
Meals and Rooms Tax			
Monthly	4,213	3,827	4,455
Quarterly	629	663	703
Withholding			
Monthly	2,786	2,867	3,236
Quarterly	22,951	20,680	22,932
Semi-Weekly	1,662	1,769	1,887

RETURNS EXAMINED

	<i>Tax Year 2005</i>	<i>Tax Year 2006</i>	
Personal Income Tax	106,423	106,929	During the biennium, the Taxpayer Services Division examined the following volume of tax returns from worklists. The Division examines many other returns during the year e.g., appeals, large refunds.
Renter Rebate	6,844	7,231	
Education Property Tax Payment	36,026	41,594	
Homeowner Property Tax Rebate	18,871	18,969	
Homestead Declarations	40,405	43,147	
	<i>Fiscal Year</i>	<i>Fiscal Year</i>	
Sales and Use Tax	24,840	25,287	<p>^a Number of accounts.</p> <p>^b Corporate/Business Entity Taxes and Estate and Fiduciary Tax are not yet automated and are manually reviewed.</p>
Meals and Rooms Tax	10,288	9,524	
Withholding Tax	14,795	13,739	
Corporate/Business Entity Taxes ^{a, b}	35,805	36,722	
Estate and Fiduciary Tax ^{a, b}	8,412	8,266	

INTEREST RATES

<i>Year</i>	<i>Annual Rate</i>	<i>Monthly Rate</i>	
1997	9.6	0.8	"When a taxpayer fails to pay a tax liability imposed by this title (except the motor vehicle purchase and use tax) on the date prescribed therefor, the commissioner may assess and the taxpayer shall then pay, a sum of interest computed at the rate per annum established by the commissioner pursuant to section 3108 of this title on the unpaid amount of that tax liability for the period from the prescribed date to the date of full payment of the liability." 32 V.S.A. § 3202(a). These are the rates established pursuant to Section 3108.
1998	9.6	0.8	
1999	9.6	0.8	
2000	8.4	0.7	
2001	9.6	0.8	
2002	8.4	0.7	
2003	6.0	0.5	
2004	6.0	0.5	
2005	6.0	0.5	
2006	6.0	0.5	
2007	8.4	0.7	

REVENUE PER UNIT OF TAX – SELECTED TAXES

<i>Revenue Source</i>	<i>Tax Rate</i>	<i>Yield/Unit of Tax (dollars in millions)</i>	
Personal Income	--	NA	<p>These simple yield rates assume no change in demand in response to the price change that would accompany a given tax rate change.</p> <p>Source: Joint Fiscal estimates based on January 2006 Official E-Board Forecast for FY2008.</p>
Sales & Use ²	6%	\$ 310.1	
Meals & Rooms	9%	113.0	
Bank Franchise	.0096%	8.6	
Gasoline	0.19	65.5	
Diesel	0.25	15.5	
Purchase and Use	6%	84.1	

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2005

Corporate Income Tax

Under current law, a federal net operating loss election (to carry a loss back or forward) must be followed with respect to the Vermont return. However, Vermont refunds resulting from the application of a net operating loss carrybacks are limited to zero, thus limiting the benefit of a net operating loss based solely on how the federal net operating loss was utilized. The Department of Taxes will report to the Legislature by January 15, 2006 on the possible effects of amending the law to allow 50 percent of a federal corporate net operating loss to be carried forward in Vermont, based on loss-year apportionment factors, for a period of up to ten years and of phasing the allowance percentage up from 50 percent to 100 percent. H. 521, Sec. 4.

Personal Income Tax

The retirement income credit is renamed the “elderly and permanently totally disabled credit” to reflect the new federal name for the credit. Eff. on passage. H. 521, Sec. 15.

Insurance Premiums Tax

The affordable housing tax credit, like other downtown credits, may now be applied against insurance premiums tax as well as against individual and corporate income tax. Eff. on passage. H. 521, Sec. 7.

Sales and Use Tax

Prior to an event that includes occasional vendors, e.g., a flea market or gun show, the promoter must provide a list of the participating vendors to the Department and verify that the participants are registered to collect sales and use tax. However, this requirement applies only if 25 or more vendors are authorized by the promoter to sell taxable items. Eff. on passage. H. 521, Sec. 1.

Effective for sales on and after July 1, 2005, the maximum tax on tracked vehicles is increased from \$900 to \$1100. The Commissioner will study the advisability of adjusting the cap for inflation every second year and report his recommendation to the Legislature by January 15, 2005. H. 521, Sec. 2.

The formula for allocating sales tax revenues to a town that is hosting designated downtown development is simplified. Instead of allocating based on actual sales and receipts, the allocation will be based on estimated costs as stated in the successful bid documents. A town will receive half of its allocation when the project is 50 percent complete and the balance upon completion. Eff. June 1, 2005. H. 210, Sec. 9; H. 51, Sec. 13 and 14.

Various telecommunications-related provisions in Vermont sales and use tax law were amended to conform to the Streamlined Sales and Use Tax Agreement, including changes to the definitions of “telecommunications” and “sales price”. Eff. July 1, 2005. H. 521, Sec. 21 - 25.

The Tax Commissioner may post a sign on a business informing the public that the business has failed to file a bond that was required by the department and may not conduct business at that location. Eff. on passage. H. 210, Sec. 11.

Education Property Tax

Homestead Declarations are due each year by April 15. However, the duty to file a declaration continues after that date in order to assure grand list accuracy. Under prior law, a person who filed late, but before December 1 would receive a new tax bill at the homestead rate. Beginning January 1, 2006, late filed declarations will result in a new bill only if they are filed before July 15. H. 504, Sec. 6.

A uniform method is enacted for appraising residential rental property that is subject to a housing covenant or other legal restriction by a governmental, quasi-governmental, or public purpose entity on rents that may be charged. For these properties, fair market value will be determined under an income approach that uses market rents, actual expenses, a vacancy rate that is 50 percent of the market vacancy rate and a capitalization rate that is typical for the area. Property Valuation and Review will determine and publish capitalization rates for geographic areas annually prior to April 1. This new method will apply to grand lists of April 1, 2006 and after. H. 521, Sec. 6.

The law is clarified that in determining estimated fair market value, the sale price of the property should be considered, but is not determinative. Eff. on passage and shall apply to grand lists of April 1, 2006 and after H. 504, Sec. 1.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2005 - CONTINUED

There will be a voluntary lister education program developed by the Division of Property Valuation and Review to support local listers in performing their jobs and to improve the quality and uniformity of appraisal methodology and grand list maintenance. The program will include instruction in lister duties, property inspection, data collection, valuation methods, mass appraisal techniques, and property tax administration and will lead to designation of competence at three levels. H. 504, Sec. 2, 3, 4, 4a.

A residence that was the homestead of the decedent at the date of death and from the date of death through the next April 1 is held by the estate of the decedent and not rented is taxed at the homestead rate. A declaration should be filed by the estate, but the estate is not entitled to a property tax adjustment. This new rule applies to declarations related to April 1, 2005 and after. H. 504, Sec. 16, 18.

Property Tax Adjustments (Prebates and Rebates)

Currently, a claimant with household income of \$75,000 or more may be eligible for an adjustment of education property tax on the first \$160,000 of equalized value of the housesite. Income sensitivity is expanded in two stages in H. 504. For claims filed for 2006 property taxes and after, the household income amount increases from \$75,000 to \$85,000 and the maximum housesite value that qualifies for income sensitivity at that income level increases from \$160,000 to \$200,000. For claims filed for 2007 property taxes, the household income amount increases from \$85,000 to \$90,000 and the housesite value remains at \$200,000. H. 504, Sec. 25, 26, 27. Claimants with income up to approximately \$110,000 will be eligible for a property tax adjustment under the new parameters (under current law, income sensitivity phases out at approximately \$88,000 of household income).

In most cases in which a homestead property is jointly owned, the percentage of property tax used to calculate a prebate or rebate is the same percentage as the claimant's ownership. However, in the case of a homestead that is a portion of a duplex, the property tax of the claimant is the tax on the portion of the structure occupied by the claimant (without reduction for the interest of other owners in the claimant's portion) provided that all owners live in a portion of the duplex structure. This new rule applies to claims filed for 2006 property taxes and after. H.504, Sec. 15.

Current Use

The definition of farmer is expanded for purposes of determining eligibility to enroll farm buildings in the current use program. A person whose gross income from the sale of processed farm products and from the business of farming together equals at least half of the person's gross income is a farmer provided that a minimum of 75 percent of the farm crops processed in the farm facility are produced by the farmer on land enrolled by the farmer or on a housesite adjoining the enrolled land. The definition of farm buildings is also expanded to include up to \$100,000 of the value of a farm facility processing farm crops (75 percent or more of which are produced on the farm). H. 540, Secs. 1 and 2. Effective July 1, 2005.

The current use program provides that the land use change tax will be limited to 10 percent of the value of the changed land (instead of 20 percent) if the changed land has been enrolled for more than ten years. This section provides that the ten-year enrollment must be continuous. Eff. July 1, 2006. H. 210, Sec. 5.

Property Transfer Tax

The law that sunsets the property transfer tax exemption for the first \$100,000 of value for properties purchased with a Vermont Housing Finance Agency mortgage was repealed, making the exemption permanent. H. 521, Sec. 5.

Solid Waste Tax

Effective July 1, 2005, the following waste is exempt from tax: (1) waste delivered to and accepted by a composting facility for composting; (2) solid waste delivered to a facility with a solid waste categorical certification; (3) solid waste resulting from mining, extraction, or mineral processing operations delivered to a facility certified solely for the treatment, storage, recycling, or disposal of such waste. However, the exemption for mining waste sunsets June 30, 2008 and a study of the human health and environmental effects of Omya's mineral processing of calcium carbonate in Vermont is to be filed with the Legislature on or before January 15, 2008. Septage or sludge delivered to an incinerator is subject to tax. H. 532, Sec. 4, 5.

A license fee is imposed on facilities that treat, store, or dispose of waste generated solely from mining, extraction, or mineral processing at the rate \$0.41 per cubic yard of certified operational capacity above 15,000 cubic yards up to a maximum of \$35,000. The fee is prorated and paid on an annual basis over the term of the certification. The solid waste categorical certification statute is amended generally and categorical disposal facilities are expressly excluded from license fees charged by the Agency of Natural Resources. H.532, Sec. 1, 3.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2006

Cigarette Tax

The tax on cigarettes increases to \$1.79 per pack beginning July 1, 2006. (This is a \$.60 per pack increase from the current \$1.19). The tax will increase by an additional \$.20 per pack on July 1, 2008. Act 191, Secs. 36, 37.

“Little cigars” (cigars weighing 3 lbs. per 1000 or less) and roll-your-own tobacco will be taxed as cigarettes beginning July 1, 2006. Snuff will be taxed at \$1.49 per ounce beginning July 1, 2006 and at \$1.69 beginning July 1, 2008. These products are currently subject to a tobacco products tax of 41 percent of their wholesale price. Act 191, Secs. 36, 37.

A floor stock tax will be imposed on cigarettes, little cigars, roll-your-own tobacco and snuff as of July 1, 2006 and July 1, 2008 to collect the additional tax on product on retail shelves on those dates. The floor stocks tax is the difference between the new tax and the tax paid by the wholesaler at the lower rate. Act 191, Sec. 39.

Vermont imposes the cigarette tax at the wholesale and distributor level. The tax is currently \$1.19 per pack (increases to \$1.79 per pack on July 1, 2006), and is paid by the wholesale dealers purchasing stamps and affixing the stamps to the packs. A new law imposes the cigarette tax on anyone who purchases cigarettes from a source that did not pay the Vermont cigarette stamp tax, such as purchases through the internet or mail order, or in another state. The new cigarette use tax applies to sales made on or after July 1, 2006. Under this law, however, two cartons of cigarettes may be purchased by an individual and brought into Vermont for that individual’s consumption without payment of the Vermont tax. Also, a taxpayer would receive a credit for any cigarette tax already paid to another jurisdiction. Act 207, Sec. 3.

Income Tax

A. Corporate

Effective January 1, 2007, the current Economic Advancement Tax Incentive program with its myriad of credits will be replaced with a single, payroll-based incentive for job creation and capital investment. Existing property tax stabilization and allocation incentives are retained. These three incentives are collectively subject to an overall \$10 million annual cap on authorizations. The Emergency Board may approve increases of the cap. The new program is authorized until January 2012. The Vermont Economic Progress Council (VEPC) will administer the new incentive program until the council dissolves in April 2009 at which time a new body, the Economic Incentives Review Board (EIRB), is established and will succeed to VEPC’s administrative responsibilities. Act 184, Secs. 3 - 13.

A new net operating loss (NOL) rule that is specific to Vermont has been adopted. “Vermont net operating loss” means any negative income after allocation and apportionment of Vermont net income under section 5833 of Title 32. Prior law piggybacked to the federal net operating losses, but allowed no refund for the portion that was carried back on the federal return (and therefore on the Vermont return). The new rule, when fully implemented in 2010, will allow corporate taxpayers to carry forward all Vermont losses for 10 years regardless of whether the federal loss is carried back. During the transition period, corporate taxpayers will be able to carry forward the Vermont NOL if the federal NOL is carried forward. Additionally, for 2007 losses, 10 percent of the Vermont NOL will be available for carryforward when the federal NOL is carried back. This percentage increases to 30 percent for 2008 losses and 40 percent for 2009 losses. Act 207, Secs. 15-18.

Effective July 1, 2006, funding for the affordable housing tax credit is increased. For fiscal year 2007, the annual award cap goes from \$150,000 to \$300,000 and for fiscal year 2008 and after, the cap is \$400,000. The award amount is awarded for each of 5 years, so the maximum amount of new credits in any single year would be \$2 million. Act 207, Sec. 21.

Four existing tax credits - (1) rehabilitation of an historic building, (2) rehabilitation of an older or historic building, (3) platform lifts, elevators or sprinkler systems, and (4) code improvements to commercial buildings - have been consolidated into one “Downtown and Village Center” tax credit program. Inconsistent requirements are removed. Under the new program, credits continue to be available against the corporate and individual income tax, bank franchise tax and insurance premiums tax for historic rehabilitation, façade improvement and code improvements. In addition, a new bank credit certificate, which replaces the mortgage credit certificate, will allow a credit recipient to negotiate with a bank for cash, as well as for an adjustment of mortgage terms, in exchange for credit. The cap on the total amount of tax credits awarded, together with sales tax allocation under 32 V.S.A. § 9819, is increased from \$1 million to \$1.5 million. Act 183, Secs. 12 - 16.

The time for taxpayers to report changes in federal taxable income (due to a Federal audit or other reason) to the Vermont Tax Department has been expanded from 30 days to 60 days. Act 94, Sec. 4.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2006 - CONTINUED

B. Personal

The “angel incentive”, which was a deferral of capital gain taxation, is now a tax credit. The credit is 3 percent of capital gain income invested in an eligible venture capital business. To be eligible, the investment must be at least \$50,000; otherwise, the definition of eligible venture capital investment remains the same. For taxpayers who deferred taxation of capital gain income in taxable years prior to 2006, the capital gain income must be included in the taxpayer’s taxable income no later than 5 years after the year in which the investment (that gave rise to the deferral) was made. Act 207, Secs. 9-11.

Beginning with contributions made in 2007, the credit for contributions to a Vermont Higher Education Investment Plan account is increased from 5 percent of the first \$2000 per beneficiary contributed each year to 10 percent of the first \$2500 contributed to the account. Act 207, Sec. 6.

See payroll incentive program, affordable housing tax credit and “Downtown and Village Center” tax credit program discussed above in corporate income tax.

C. Pass-Through Entities

Effective January 1, 2006, the rate at which pass-through entities pay tax (on behalf of owner) to Vermont is reduced. Partnerships, limited liability companies and subchapter S corporations are pass-through entities, meaning that they are not taxed at the entity or business level. Instead, their owners are taxed personally on their pro-rata share of the business income. To ensure that Vermont receives the income tax owed by nonresident owners of these entities, Vermont income tax law requires that the entity itself must pay tax to the State on behalf of the owner at the highest marginal rate. These sections lower that rate from the highest individual rate (9.5 percent) to the second lowest rate (7.2 percent). Act 207. Secs. 1,2.

See payroll incentive program discussed above in corporate income tax.

Property Tax

A. Education Property Tax

Net tax bills: Beginning in 2007, property tax bills will be reduced by a taxpayer’s property tax adjustment (also referred to as “prebate” and “rebate”) and at the option of the taxpayer, by the taxpayer’s income tax refund or any designated portion of the refund. For all adjustment claims that are timely filed - by April 15, the State will send the town a payment on July 1 of the amount to be credited against the taxpayer’s property tax bill. If the taxpayer files a late claim for a property tax adjustment on or before September 1 (and also files a homestead declaration by that date), the State will send the adjustment amount to the town on or before September 15 and the taxpayer will receive a new bill from the town that subtracts the adjustment amount. The town will reduce the adjustment amount by \$15.00 to cover the cost of creating the new bill. A property tax bill will not be reduced to reflect a homestead declaration or property tax adjustment claim filed after September 1. The property tax adjustment and any designated income tax refund are subject to the same offsets (for delinquent State taxes and debts to other State agencies) as under current law. Act 185, Secs. 1-7. (See Education Property Tax Adjustments below)

Education tax rate: For fiscal year 2007 only (2006-2007 property tax bills), the education property tax rate on nonresidential property tax will be \$1.44 per \$100 of assessed value and the rate on homestead property shall be \$0.95 per \$100 of assessed value. Act 185, Sec. 18.

New tax increment financing (TIF) district provisions are available to all municipalities. TIF development must occur in compact, high-density industrial, commercial and residential areas; or within growth centers or designated downtown or village centers; or commercially distressed areas. New project criteria, which replace the cost-benefit model in determining eligibility, focus on public benefits such as affordable housing, brownfield remediation, potential job growth and transportation impacts. S. 165, Sec. 2h. A municipality that is a “designated growth center” is presumed to meet the location criteria. Act 184, Sec. 2.

Use of education funds for TIFs is extended from 10 to 20 years, with twenty-five percent of the increment dollars being retained by the education fund. Permitted uses of increment dollars are expanded to include “related costs” which are expenses directly related to the creation of the TIF district, transportation infrastructure and brownfields remediation. As with the payroll-based incentive program (see corporate income tax), EIRB will take over administrative functions of VEPC regarding TIFs in 2009. No more than 10 new TIFs may be created in the next 5 years, with no more than one new district in any municipality. Procedures for municipal hearings, planning and bonding have been established. Act 184, Sec. 2.

HIGHLIGHTS OF TAX LEGISLATION PASSED IN 2006 - CONTINUED

B. PILOT

For 2006 through 2010 grand lists, the State shall make PILOT payments for Vermont State College property regardless of whether the property is used for educational or commercial purposes. Under current law, all Vermont State College property is tax-exempt, but only educational buildings are eligible for PILOT. Beginning in 2011, Vermont State College property will only be exempt if used for educational and not commercial purposes. Act 207, Sec. 7, 8.

C. Other Property Tax Changes

Towns are now authorized to vote to exempt up to \$40,000 of the appraisal value of the residence of a disabled veteran or the disabled spouse, widow, widower or child of a veteran. Prior law authorized a voted exemption of \$20,000. Act 207, Sec. 25.

Beginning July 1, 2006, the filing fee for a property tax appeal to the Director of Property Valuation and Review will increase from \$30 to \$70. A taxpayer or selectboard aggrieved by a decision of the board civil authority may appeal to superior court or to the director of Property Valuation and Review for a de novo hearing. Appeals to the director are heard by a State Appraiser, an independent hearing officer who determines the property's value after hearing. Act 202, Sec. 8.

Education Property Tax Adjustments

A. Overview

Beginning in 2007, the prebate and rebate amounts will be combined into one property tax adjustment payment that will be applied as a credit to the 2007-2008 property tax bill. The prebate will no longer be paid directly to the claimant and the rebate will no longer be a credit against the income tax. In addition, any taxpayer may opt to have all or a portion of his or her income tax refund applied to the homestead tax bill. Claims for both programs will be due April 15. Claims filed after April 15 but before September 2 will be allowed, but will be reduced \$15.00 to cover the town's cost of rebilling the property tax. No adjustment payment will be made for claims not filed by September 1. Act 185, Secs. 1-7.

Note that because 2006 rebates and 2007 prebates will be applied to reduce 2007-2008 property tax bills, individuals will not receive rebate or prebate checks in 2007.

With respect to claims filed in 2007 and 2008, no taxpayer shall receive total adjustments in excess of \$10,000 related to any one property tax year. An individual who received a homestead exemption or adjustment of property taxes assessed by another state for the taxable year will not receive a Vermont property tax adjustment. Act 185, Secs. 9.

B. Rebate Program Changes

A claimant must own the homestead on April 1 to qualify for the rebate - this conforms the ownership date to the prebate program that has always required ownership as of April 1. Act 185, Sec. 2.

Effective for claims filed in 2007 and after, homeowner and renter rebates for claimants with household income under \$10,000 are increased. These claimants will receive an adjustment equal to the amount of property tax or rent constituting property tax in excess of 2 percent of household income. Currently the percentages are 3.5 for incomes up to \$4,999 and 4.0 percent for income between \$5,000 and \$9,999. Act 185, Sec. 12.

C. Prebate Program Changes

Prebates will be calculated using prior year household income and tax assessment (similar to the rebate program). Act 185, Sec. 1.

Since Act 68 became law, the applicable base percentage (the percentage of household income that claimants must pay before being entitled to a property tax adjustment) has been adjusted in proportion to education property tax rate changes. In the future, that base rate will drop no lower than 1.8 percent (adjusted by school district spending and the common level of appraisal). Act 185, Sec. 10.

D. Household Income Changes

Gifts received by members of the household in excess of a total of \$6500 in cash or cash equivalents (for example, certificates of deposit, stocks, bond, treasury obligation) must be included in household income for claims filed in 2007 and after. Act 185, Sec. 13.

The first \$6500 of income received by a person who qualifies as a dependent of the claimant under the Internal Revenue Code and who is the claimant's disabled adult child may be excluded from household income for claims filed in 2007 and after. Act 185, Sec. 13.

For claims filed in 2005, 2006 and 2007, difficulty of care payments made by the State or an agency designated by the State to an individual for care of an eligible person with a developmental disability may be excluded from household income. Any tax assessment resulting from a claimant's exclusion of this income on a property tax adjustment claim filed in 2005 or 2006 will be abated. Similarly, if a claim was reduced as a result of a claimant's exclusion of such income, a supplemental payment will be made. Also, any person may file, on or before September 1, 2006, a late 2005 or 2006 property tax adjustment claim (relative to 2004 and 2005 household income) that excludes difficulty of care payments. (Note that flexible family funding payments were already excludable for those years.) Act 185, Sec. 14.

For claims filed in 2008 and after, only the first \$6,500 of difficulty of care payments and flexible family funding payments may be excluded from household income. Act 185, Secs. 13, 13a, 17(4).

Sales and Use Tax

Beginning September 1, 2006, court judgments for fines, penalties, surcharges and fees shall be subject to a setoff on the judgment debtor's income tax refund. Act 167, Secs. 4, 5.

The General Assembly approved a change to the City of Burlington Charter that will allow the city to impose a one percent local option sales tax. The tax will differ from local option taxes currently imposed in Manchester, Williston and Stratton in that Burlington will follow the State tax base and exempt clothing costing \$110 or less and will tax telecommunications. The tax will be effective on the next tax quarter following 30 days notice to the Tax Department, provided the notice is given in 2006. M-11.

Authorization to impose local option taxes existed under prior law only through 2008. That sunset has been removed. Consequently, the towns originally authorized by Act 60 to impose local option taxes, including Manchester, Williston and Stratton that have local option taxes in place, will continue to have that authority. Act 215, Sec. 293b, 293c.

Any in-state or out-of-state holder of a license to ship vinous beverages in Vermont must pay the sales tax due on such product directly to the tax department and must comply with the provisions of Chapter 233 and legally authorized local sales taxes. Act 140, Sec. 4.

Sellers that register voluntarily under the Streamlined Sales Tax Agreement will only have to file returns annually unless they accumulate more than \$1000 tax, in which case a return is due the following month. Act 207, Sec. 5.

Superior Court Decisions

Egan v. Department of Taxes,

Chittenden Superior Court Docket No. S1553-04 CnC (July 14, 2005).

Challenge to Department's refusal to refund land use change tax dismissed for lack of subject matter jurisdiction.

Donovan v. Department of Taxes,

Washington Superior Court Docket No. 412-7-05 Wncv (November 28, 2005).

Short-term rental of a furnished home subject to rooms tax.

Bryden v. Department of Taxes,

Addison Superior Court Docket No. 115-05 Ancv (January 13, 2006).

Act 60 rebate claimant must count spouse's income in determining eligibility for benefits. Even though claimant lived apart from spouse for several years, they were not legally (i.e., judicially) separated.

Ott Rutland LLC v. Department of Taxes,

Washington Superior Court Docket No. 566-9-05 Wncv (July 7, 2006).

Failure of commissioner to grant claim of refund within six months (absent agreement for extension) is deemed a denial of refund under 32 V.S.A. § 5884. Taxpayer claimed refund of land gains tax; commissioner did not act within six months; thereupon, Taxpayer appealed to Superior Court. Superior Court remanded to commissioner for hearing and creation of record to allow for subsequent on-the-record review. Taxpayer attempted to appeal this decision to Supreme Court; Supreme Court dismissed appeal for lack of jurisdiction because Superior Court's remand order was not a final judgment.

DeLuca v. Department of Taxes,

Washington Superior Court Docket No. 765-12-05 Wncv (August 24, 2006) (currently on appeal to Supreme Court).

Superior Court upheld commissioner's determination that Taxpayer, who moved to Vermont but resided in hotels and condos in Pittsburgh and elsewhere while working there and made occasional weekend visits to Vermont, was a Vermont resident subject to Vermont personal income tax.

Mollica v. Property Valuation and Review,

Windsor Superior Court Docket No. 188-4-04 Wrcv (August 28, 2006) (currently on appeal to Vermont Supreme Court).

Superior Court reversed finding by PVR Director that two buildings and associated acreage were not eligible for current use valuation.

Mathieu Properties, LLC v. Department of Taxes,

Chittenden Superior Court Docket No. 188-06 Cncv (October 10, 2006).

Assessment of property transfer tax affirmed. Property transfers to LLCs at the time of their formation are exempt from property transfer tax. Department, by practice, has bright line rule allowing transfer to occur within 90 days of formation. Property was transferred 106 days after formation.

Supreme Court Decisions

Gordon v. BCA for Morristown,

2006 VT 94 (Vermont Supreme Court, September 1, 2006).

Airplane hanger owned by individual which sits on land leased to owner by State is taxable as real property under 32 V.S.A. § 3608.

Casella Construction, Inc. v. Department of Taxes,

2005 VT 18 (Vermont Supreme Court, February 4, 2005).

Court has jurisdiction when notice of appeal from Superior Court decision is timely filed by Department in the Supreme (instead of Superior) Court.

Bankruptcy Court Decisions

In re: Quality Stores, Inc.,

Adversary Proceeding No. 04-8836 (Bkr. W.D. Mich. March 17, 2005)

Bankruptcy Code § 106(a) is a valid Congressional abrogation of state sovereign immunity, and does not preclude Bankruptcy Court from exercising jurisdiction to hear and determine Debtor's request for sales and use tax refunds from the Department of Taxes under § 505(a) of the Bankruptcy Code. Affirmed by the United States District Court for the Western District of Michigan.

FORMAL RULINGS

2005-01:

The taxpayer, a Vermont nonprofit corporation, requested a ruling concerning the applicability of the Vermont land gains tax to a proposed sale of all or substantially all of its interest in an LLC in which it is the single member. The taxpayer formed the LLC in 2000 in order to acquire a business consisting of land, buildings and facilities. The LLC owns 100 percent of stock in a subsidiary that it formed to operate the business.

The LLC sought to transfer land for development to an unrelated party. The transaction would be structured in one of two ways. Under the first, the buyer would acquire 95 percent of the shares in the LLC, and the taxpayer would retain the remaining five percent. The buyer would commit to develop and improve the land and facilities, and the taxpayer would retain use rights related to its athletic mission.

Under the second, the buyer would acquire 100 percent of the shares of the LLC, and would commit to develop the assets and allow the taxpayer to retain use rights and a contingent purchase price provision allowing the taxpayer to participate in future revenues.

The Department ruled that the sale of an interest in the LLC under either scenario does not constitute a “sale or exchange of land” for purposes of Chapter 236 of Title 32 (land gains tax). The LLC continues to hold title to the land in question and the transaction allows the taxpayer to run its historic business on the land. The Department further ruled that in the event of a subsequent sale by the LLC, the original basis and holding period will continue even if the LLC’s membership changes.

2006-01:

The taxpayer requested a ruling as to whether nicotine replacement products - the nicotine patch, gum, and lozenge - are subject to Vermont sales tax. The products are available to the public without prescription. The Department ruled that the items qualified as drugs because they are “intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease”. Moreover, because they are “intended to alleviate human suffering,” they are exempt from the sales tax under 32 V.S.A. § 9741(2).

2006-02:

The taxpayer produces and sells training and marketing videos and television commercials. The videos are provided to customers in either DVD or VHS format or are delivered electronically via the internet. The taxpayer bills its customers by charging hourly for its services. The taxpayer requested a ruling whether the charges to its customers were subject to the sales and use tax. The Department ruled that when the taxpayer provides a video to its customers, it is transferring tangible personal property in exchange for a consideration, and the transaction is taxable. The focus of the sale is the provision of the video to the customer, and adjusting the method of payment to allocate the sales price to labor does not transform the transaction into a non-taxable event. When the taxpayer transfers the video to its customers via the internet, however, the transaction is not subject to tax because items such as books, movies or music delivered electronically do not constitute tangible personal property.

2006-03:

The taxpayer, the seller of catheter securement medical devices, requested a ruling regarding whether the devices are exempt from the sales and use tax. The devices are used in place of sutures to secure catheters to the body and reduce suture-related medical complications. The Department ruled that the devices qualify as medical supplies used in treatment intended to alleviate human suffering and are exempt from the tax pursuant to 32 V.S.A. § 9741(2).

2006-04:

The taxpayer sells medicinal and non-medicinal veterinary and pet supplies. The taxpayer requested a ruling as to whether its customers are required to pay sales tax on items such as collars, leashes, chew items, bowls and litter that are not purchased for resale, are of the type commonly available for use by pet and livestock owners, and which are not specific to veterinary use. The Department ruled that the exemption for veterinary supplies found in 32 V.S.A. § 9741(3) is product-based and limited to those supplies that are used directly in the treatment of animals by a veterinarian. Consequently, the exemption does not include collars, leashes, chew items, bowls, litter, and similar items. Absent a valid resale certificate, such items are subject to tax.

FORMAL RULINGS - CONTINUED

2004-05:

The taxpayer has developed and intends to sell glucose monitoring devices for use by persons with diabetes. The device consists of a tiny wire-like sensor that is inserted beneath a patient's skin to monitor glucose levels and trends and to alert the patient of high or low glucose levels. It has been approved by the FDA and will be available to patients by prescription. The taxpayer intends to ship the devices from its California headquarters, has no place of business in Vermont and inquired whether the device is subject to the sales and use tax. The Department ruled that the glucose monitoring device qualifies as exempt durable medical equipment because it is capable of repeated use, primarily and customarily serves a medical purpose, is not normally used by persons absent illness or injury, and serves to alleviate human suffering. 32 V.S.A. § 9741(2). The replacement sensors are considered medical supplies used in treatment because they have a limited life span, are not capable of repeated use, serve a medical purpose, are therapeutic in nature, not normally used by persons absent illness or injury, and are also exempt. Accessory items sold by the taxpayer such as the optional carry case/belt clip, charger plug, cables and shower patch, however, do not qualify for the medical exemption and Vermont purchasers of those items should remit use tax to the state. In the alternative, the taxpayer may collect the tax from its Vermont customers and remit the collected tax to the state.

2006-06:

The taxpayer requested a ruling as to whether its product, a device designed to help orthopedic surgeons reduce unstable lower leg fractures prior to internal or external fixation appropriate for the injury, is subject to the sales and use tax. The device simplifies operating procedures by reducing operating times and eliminating the need for a traction table. The Department ruled that the device constitutes durable medical equipment because it is used for a medical purpose, can withstand repeated use, is not worn on or in the body, and is generally not useful to a person in the absence of illness or injury. 32 V.S.A. § 9701(30). Moreover, because it serves to both alleviate human suffering and to correct a physical disability, it is exempt from the tax. 32 V.S.A. § 9741(2).

2006-07:

The taxpayer requested a ruling as to whether its product, a handheld, portable electronic device used to treat acne pimples, is subject to the sales and use tax. The device is held to the skin for approximately two and a half minutes, and delivers a controlled dose of heat to the pimple. The manufacturer recommends two to three treatments over the course of 24 hours. The device is available without prescription. The Department ruled that the device is not exempt from sales and use tax under the medical exemption of 32 V.S.A. § 9741(2) because the exemption extends only to items commonly and primarily used in medical treatment. The taxpayer's product is not considered a common, effective, or recommended treatment for acne by the medical community. Moreover, the medical exemption does not include products that produce a primarily cosmetic, rather than medical, benefit.

2006-08:

The taxpayer first requested a ruling whether sales tax should be charged on the sale of software subscriptions to the taxpayer's Vermont customers. The software is prepackaged and owned by an out-of-state entity. Currently, the taxpayer remotely loads the software onto its Vermont customers' computers, and bills customers who purchase the software on a monthly, per-mailbox basis. The Department ruled that as of January 1, 2007, the law makes clear that prewritten computer software, even when delivered electronically, is subject to the tax. Moreover, the taxpayer's method of billing does not change the taxability of the transaction; the focus of the transaction is the transfer of tangible personal property for a consideration, and it is therefore taxable.

Second, the taxpayer asked whether the monthly fee it charges to its customers for remote monitoring and servicing of computer servers and networks is subject to the sales tax. The Department ruled that although the monitoring and servicing is not taxable, the taxpayer should pay tax on the sentinel boxes it places in the customers' homes that enable the taxpayer to perform the monitoring. If the boxes are purchased by the taxpayer at retail, it should pay sales tax; if the boxes have not been subject to the sales tax for use in the state, it should remit the compensating use tax to the Department.

TB-31:

(October 4, 2005)

Clarified that payments made to home providers for care of disabled adults (difficulty-of-care payments) are includable in household income. These payments are exempt from federal and state income tax, but are part of the broader “household income” definition used to calculate the property tax adjustment. The exclusion for “foster care” does not apply because that term, as used in Vermont law, refers to care of children.

NOTE: Legislation passed in 2006 retroactively excluded difficulty-of-care payments from 2004, 2005 and 2006 household income and for 2007 and 2008 excludes the first \$6500 from household income.

TB-32

(May 5, 2006)

Defines terms “market rents” and expenses” relevant to statutory method of appraising multi-family affordable rental property. That method determines fair market value using rents published by the Office of Housing and Urban Affairs (HUD fair market rents), actual expenses, a vacancy rate that is 50% of market vacancy rate for the area and a capitalization rate determined annually by the Division of Property Valuation and Review. However, for certain properties*, market rents means the higher of the HUD fair market rents and the contract rents. Contract rents are the amount of federal rental assistance plus any tenant contribution. “Expenses” mean the operating expenses ordinarily associated with an income appraisal. The bulletin also provides that the fair market value of a property that is used for both affordable housing and another purpose shall be determined using the statutory elements with the additional income derived from the non-subsidized portion of the property.

* Properties subsidized under 42 U.S.C. §1437, 12 U.S.C. §1701q, 42 U.S.C. §1485, 12 U.S.C. §1715z-1 and 42 U.S.C. 1437f.

TB- 33

(November 28, 2006)

Explains the application of the nonrefundable Vermont income tax credit* for contributions to a higher education investment plan (VHEIP) and the repayment provisions. It also defines terms relevant to that credit. In order to qualify for a VHEIP tax credit the claimant must be an owner of the VHEIP account. Contribution of spouses and civil union partners to the same account qualify for the credit. The credit is refundable, meaning that it is limited in any year by the claimant’s tax liability and may not be carried over to another year. Contributions must be made in cash, but a rollover from another education account may qualify as a contribution provided the funds were contributed to the other plan and they remained in the VHEIP for the rest of the taxable year in which the funds were rolled into the VHEIP. A distribution from a VHEIP that is not excludable from federal gross income in the taxable year triggers a repayment requirement of five percent of the distribution (or ten percent if the contributions were made in 2007 or after) up to a maximum of the total Vermont credits received by the taxpayer.

* The credit is 5 percent of the first \$2,000 contributed per beneficiary and for contributions made in 2007 and after, it is 10 percent of the first \$2,500 per beneficiary.

DESCRIPTION OF FY2005 – 2006 TAXES

<i>Type of Tax</i>	<i>Tax Rate</i>	<i>Description</i>
Bank Franchise 32 V.S.A. § 5836	.000096 of average monthly deposit	Tax assessed on franchise or privilege of doing business in Vermont on every corporation which is a bank, savings bank, savings institution, trust company, and every savings and loan association or building and loan association that has a business location in Vermont.
Beverage 7 V.S.A. § 421	26.5¢ per gallon malt 55¢ per gallon vinous	Tax is paid by every bottler and wholesaler on each gallon, or its equivalent, or malt or vinous beverages sold by them to retailers in this state.
Cigarette 32 V.S.A. § 7771	\$1.19 per package (59.5 mills per cigarette) Rate increase for FY07 to \$1.79 per pack (89.5 mills per cigarette)	Tax is prepaid by wholesaler when purchasing stamps or meter impressions which must be applied to each pack before sale to retailers. Every wholesale dealer or distributor must be licensed to do business. Licenses are without fee and non-transferable.
Electric Energy 32 V.S.A. § 8661	Graduated tax based on megawatt hour production	Imposed on electric generating plants with a name plate generating capacity of 200,000 kilowatts or more.
Estate 32 V.S.A. § 7442a	Measured by Federal credit for state death taxes as in effect on January 1, 2001	The estate tax is measured by the amount of the Federal credit for state death taxes allowable under Section 2011 of the Internal Revenue Code, as in effect on January 1, 2001.
Freight Lines & Transportation Companies 32 V.S.A. § 8433	1.25% of appraised value of rolling stock. This tax is repealed for taxable years beginning on or after January 1, 2006.	Tax is assessed on the value of the rights, property and corporate franchise of each car or transportation company, provided that the appraisal of property of any foreign freight line and equipment company shall include only property of such company and not its corporate franchise.
Fuel Gross Receipts 32 V.S.A. § 2503	0.5% on retail sales of fuel.	Tax is on the retail seller of fuels, other than motor fuel, to fund the home weatherization assistance trust.
Game of Chance Licenses 32 V.S.A. § 10204	Manufacturer's license \$3,000 annually; distributor's license \$2,000 annually	Manufacturers and distributors of break-open tickets for sale in Vermont must be licensed by the Commissioner. Only nonprofit organizations may purchase from distributors, and each ticket sold must bear a unique serial number.
Hazardous Waste Generation 32 V.S.A. § 10103	Rates vary depending on treatment and disposal	Tax is on persons initiating shipment of hazardous waste who are required to file a manifest pursuant to Federal Resource Conservation and Recovery Act; and facilities required to obtain certification under 10 V.S.A. § 6606. Tax is based on the volume and destination of hazardous waste.
Persons initiating shipment:		
Recycled	11¢ per gallon or 1.4¢ per lb.	
Nonrecycled	23.6¢ per gal or 30¢ per lb.	
Certain waste in Vermont for less than 180 days	1.0¢ per lb.	
Facilities as defined in 10 V.S.A. § 6606:		
Recycled	11¢ per gallon or 1.4¢ per lb.	
Treated	15.7¢ per gallon or 2.0¢ per lb.	
Disposed of in landfill	23.6¢ per gallon or 3.0¢ per lb.	
Income, Corporate 32 V.S.A. § 5832	For taxable years through 2005, tax rates 7 - 9.75%; For taxable year 2006, tax rates 6 - 8.9%	Tax is on Vermont net corporate income allocated or apportioned to Vermont. Minimum tax is \$250 (\$75 for small farm corporations).
Income, Personal 23 V.S.A. § 8522	3.6-9.5%	Vermont tax rates imposed on Vermont taxable income.

DESCRIPTION OF FY2005 - 2006 TAXES - CONTINUED

Insurance 32 V.S.A. § 8551	2% of gross premiums and assessments	Domestic or foreign insurance companies, associations or societies, other than life, surety or guaranty companies, are assessed a 2% tax per year on gross premiums and assessments written or collected for business in this state, excluding premiums for reinsurance.
Insurance, Captive 8 V.S.A. § 6014	Direct premiums tax ranges from .0038% to .00072%, decreasing as direct premiums increase. Reinsurance premiums tax ranges from .00214% to .00024%, decreasing as the total reinsurance premiums increase.	Captive insurance companies are assessed a .0038% tax on the first \$20 million, .00285% on the next \$20 million, .0019% on the next \$20 million, .00072% on each dollar thereafter on direct premiums; plus .00214% of first \$20 million and .00143% of the next \$20 million and .00048% on the next \$20 million and .00024% of each dollar thereafter on reinsurance premiums. The minimum tax is \$5,000.
Insurance, Surplus 8 V.S.A. § 5035	3% of gross premiums less return premiums	Tax is imposed on gross premiums, less return premiums, for surplus lines coverage placed with nonadmitted insurers.
Land Gains 32 V.S.A. § 10001	5% - 80% of gain on land sold if seller held land less than 6 years	Tax is on the gain made from the sale or exchange of land located in Vermont and held by the seller less than six years. Rate is in inverse proportion to holding period.
Land Use Change 32 V.S.A. § 3757	20% of full fair market value of developed land 10% if the land has been in the program for more than 10 years.	Tax is assessed if agricultural or managed forest land previously enrolled in the land use value program is developed.
Local Option (municipally imposed tax) 24 V.S.A. § 138	1% of sales tax excluding tax on telecommunications, 1% meals and alcohol beverages tax and 1% rooms tax	Authorized for certain towns impacted by Act 60. Tax is on sales subject to state sales tax (except clothing under \$110 is taxed and telecommunications charges are not taxed). 70% of receipts go to the town and 30% fund PILOT. Note that after January 1, 2007, the local option tax base will conform to the state sales tax base.
Meals and Rooms 32 V.S.A. § 9241	9% on meals and rooms; 10% tax on alcoholic beverages	Tax is on the gross receipts from the rental of rooms and the charge for meals, including alcoholic beverages. A one-time, non-transferable license is required before engaging in serving taxable meals or rental of rooms.
Petroleum Distributors Licensing Fee	½¢ per gallon on heating oil or kerosene not used to propel a motor vehicle	Imposed on sellers receiving more than \$10,000 annually to fund cleanup and restoration of contaminated soil and groundwater caused by petroleum leaks. Terminates April 1, 2008.
Property Transfer 32 V.S.A. § 6902	1.25% of value of the property transferred, except rates for principal residences and Title 7 housing cooperatives is 0.5% of first \$100,000 + 1.25% of amount greater than \$100,000. For land enrolled in use value appraisal programs the tax is 0.5%.	Tax is imposed upon the transfer of title by deed to property located in this state.
Railroad 32 V.S.A. § 8211	1% of appraised value	Tax is assessed annually upon the appraised value of property and corporate franchise of each person or corporation owning or operating a railroad located in whole or in part within this state. 50% of the tax is paid to each town where railroad real estate is located.
Sales and Use 32 V.S.A. § 9771 32 V.S.A. § 9773	6%	Sales tax is on the retail sales price or rental charge of tangible personal property, the charge for amusements, and the retail sale of telecommunications services. Use tax is on the retail sales price of tangible personal property that is used, stored, or consumed within Vermont where no Vermont sales tax was paid.

DESCRIPTION OF FY2005 – 2006 TAXES - CONTINUED

Solid Waste 32 V.S.A. § 5952	\$6.00 per ton (certain small landfills may pay on volume)	Tax is on public and private certified treatment and waste facilities.
Statewide Education Property 32 V.S.A. § 5402	\$1.10 per \$100 of equalized education property value of homestead property; \$1.59 per \$100 of equalized education property value of nonresidential property. Annually, Tax Commissioner recommends rate adjustment to General Assembly based on education fund budget stabilization reserve balance.	Tax is imposed on all nonresidential and homestead property and is collected by the towns. Individual tax liability is adjusted pursuant to the income sensitivity provisions of Title 32, Chapter 154. Tax Year 2005 - \$1.05 homestead / \$1.54 non-residential Tax Year 2006 - \$1.02 homestead / \$1.51 non-residential
Telephone (Alternative Tax) 32 V.S.A. § 5822	2.25% to 5.25% of gross operating revenue	Tax may be elected in lieu of telephone property tax by companies with less than \$50 million in gross operating revenue in previous year, but election may not be made by a taxpayer that did not make the election in the previous year.
Tobacco 32 V.S.A. § 7811	41% of wholesale price	Tax is imposed on the wholesale price of tobacco products (other than cigarettes) that a distributor imports into or manufactures in this state.

*TAX CREDITS AND PROGRAMS **

Credit	Statute	Can be taken against
Affordable Housing Credit	32 V.S.A. § 5930u	Personal Income, Corporate Income
Charitable Housing Credit	32 V.S.A. § 5930u	Personal Income, Corporate Income
Commercial Code Improvements Credit	32 V.S.A. § 5930r	Personal Income, Corporate Income
Commercial Film Production Credit	32 V.S.A. § 5826	Personal Income
Earned Income Tax Credit	32 V.S.A. § 5828(b)	Personal Income
EATI Capital Investment Tax Credit	32 V.S.A. § 5930g	Personal Income, Corporate Income
EATI Export Tax Credit	32 V.S.A. § 5930f	Personal Income, Corporate Income
EATI High-Tech Business Credit	32 V.S.A. § 5930k	Personal Income, Corporate Income
EATI Payroll Tax Credit	32 V.S.A. § 5930c	Personal Income, Corporate Income
EATI Research & Development Tax Credit	32 V.S.A. § 5930d	Personal Income, Corporate Income
EATI Sustainable Technology Export Credit	32 V.S.A. § 5930x	Personal Income, Corporate Income
EATI Sustainable Technology R&D Tax Credit	32 V.S.A. § 5930w	Personal Income, Corporate Income
EATI Workforce Development Tax Credit	32 V.S.A. § 5930k	Personal Income, Corporate Income
Employee Training Credit	32 V.S.A. § 5930t	Personal Income, Corporate Income
Financial Services Tax Credit	32 V.S.A. § 5922	Personal Income, Corporate Income
Low Income Child & Dependent Care Credit	32 V.S.A. § 5828c	Personal Income
Manufacturer's Investment Credit	32 V.S.A. § 5930	Corporate Income
New Jobs Credit	32 V.S.A. § 5929	Corporate Income
Older or Historic Building Rehabilitation Credit	32 V.S.A. § 5930p	Personal Income, Corporate Income, Insurance Premiums
Platform Lifts, Elevators, and Sprinkler Systems Credit	32 V.S.A. § 5930q	Personal Income, Corporate Income, Insurance Premiums
Qualified Sale of Mobile Home Park Credit	32 V.S.A. § 5828	Personal Income, Corporate Income
Rehabilitation of Certified Historic Buildings Credit	32 V.S.A. § 5930n	Personal Income, Corporate Income, Insurance Premiums
Vermont Higher Education Investment Credit	32 V.S.A. § 5825a	Personal Income

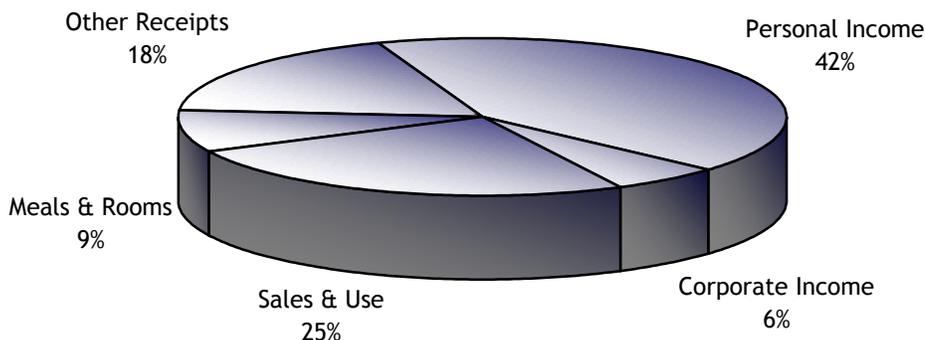
* More information can be found at the Vermont Department of Taxes website at: www.state.vt.us/tax

THREE YEAR COMPARISON OF RECEIPTS BY TAX TYPE

	FY2004	% Increase (Decrease) over Previous Year	FY2005	% Increase (Decrease) over Previous Year	FY2006	% Increase (Decrease) over Previous Year
General Fund						
Aviation Jet Fuel	\$ 111,051	32.9	\$ 226,572	104.0	\$ 193,956	-14.4
Bank Franchise	6,503,865	3.2	8,586,176	32.0	10,154,333	18.3
Beverage (Malt & Wine)	5,200,983	2.9	5,302,915	2.0	5,449,403	2.8
Break-open Ticket License	51,500	17.0	93,800	82.1	38,000	-59.5
Captive Insurance	19,910,874	12.2	21,487,799	7.9	22,694,926	5.6
Cigarette & Tobacco	52,287,859	14.6	48,774,873	-6.7	48,930,577	0.3
Corporate Income	55,497,257	57.3	60,604,253	9.2	75,808,564	25.1
Electric Energy	2,767,228	7.4	2,600,000	-6.0	2,600,000	0.0
Estate	14,712,136	-5.7	18,863,356	28.2	26,223,450	39.0
Freight Lines & Transport.	62,371	25.6	51,483	-17.5	96,843	88.1
Fuel Gross Receipts & PDL Fee	5,532,603	6.5	6,644,113	20.1	6,931,027	4.3
Hazardous Waste	352,317	-38.4	325,178	-7.7	217,602	-33.1
Insurance	29,106,121	9.8	30,975,544	6.4	32,026,648	3.4
Land Gains	4,288,133	60.5	5,727,234	33.6	6,445,892	12.5
Land Use Change	404,155	8246.9	834,523	106.5	673,115	-19.3
Meals and Rooms	108,392,469	6.2	112,928,048	4.2	111,748,266	-1.0
Misc. Receipts	4,576,453	-26.0	4,879,239	6.6	5,499,551	12.7
Personal Income	429,488,824	4.3	500,040,745	16.4	541,561,417	8.3
Property Transfer	33,951,657	23.3	45,213,536	33.2	43,682,207	-3.4
Sales & Use ^a	270,460,752	16.9	309,685,854	14.5	324,357,933	4.7
Solid Waste	3,240,598	1.7	3,318,893	2.4	3,339,741	0.6
Telephone Company	257,546	50.9	368,749	43.2	602,686	63.4
Telephone Property	10,100,520	1.6	10,150,285	0.5	7,770,075	-3.7
Local Option Sales	5,523,144	32.1	6,189,011	12.1	7,029,195	13.6
Local Option Meals & Rooms	181,200	-	500,830	176.4	543,297	8.5
Special Interest Funds						
Children's Trust	72,956	5.2	72,548	-0.6	78,927	8.8
Non-Game Wildlife	110,556	14.0	96,594	-0.4	99,710	3.2
Transportation Fund						
Railroad	178,006	6.0	174,965	-1.7	141,173	-19.3
TOTAL REVENUES	\$1,063,323,134	10.8	\$1,203,295,525	13.1	\$1,284,938,514	6.7

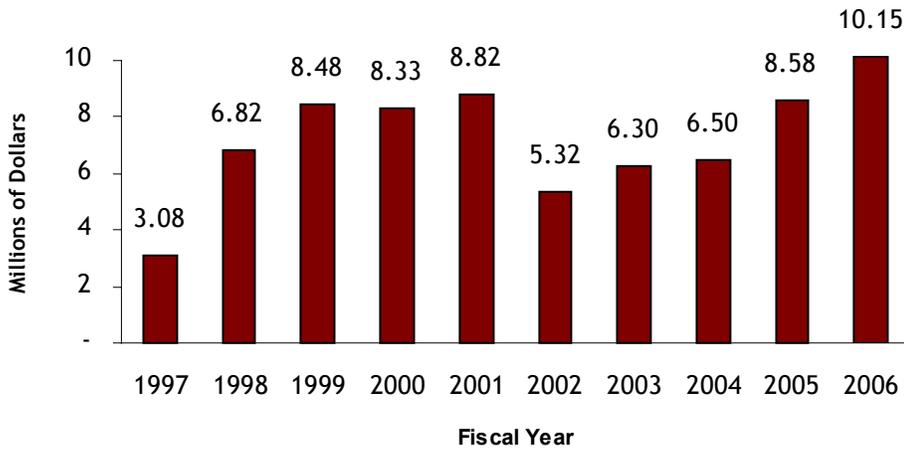
^a Includes sales tax on telecommunications.

2006 TAX REVENUE TOTALS - \$1,284,938,514



MAJOR TAX RECEIPTS - TEN YEAR FISCAL YEAR HISTORICAL SUMMARY

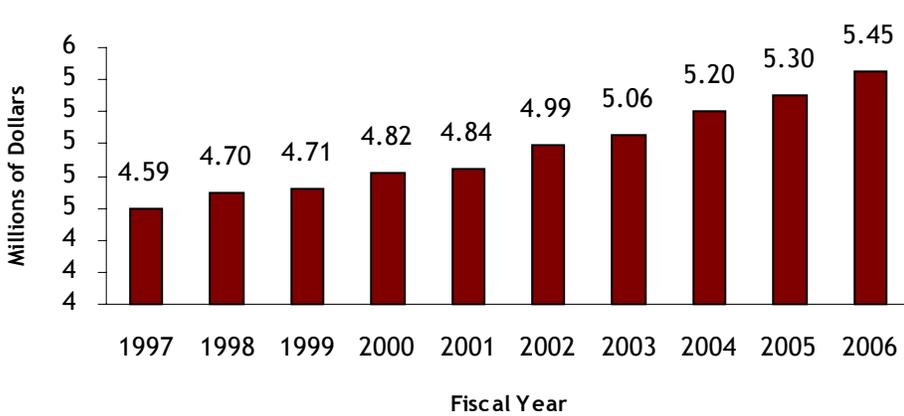
BANK FRANCHISE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997	30	\$ 3,089,194	25.3
1998 ^a	32	6,822,083	120.8
1999	34	8,485,221	24.4
2000	36	8,335,660	-1.8
2001	35	8,821,576	5.8
2002	26	5,325,761	-39.6
2003	26	6,304,620	18.4
2004	26	6,503,865	3.2
2005	26	8,586,176	32.0
2006	26	10,154,333	18.3

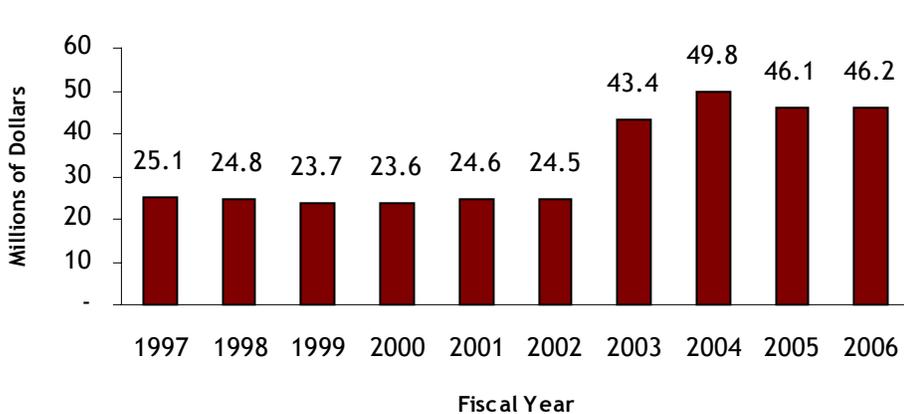
^a Rate increased from .000040 to .000096 effective 8/1/97.

BEVERAGE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997	36	\$ 4,592,148	-1.5
1998	36	4,699,502	2.3
1999	33	4,714,840	0.3
2000	33	4,818,535	2.2
2001	35	4,843,009	0.5
2002	35	4,992,566	3.0
2003	30	5,056,134	1.3
2004	30	5,200,983	2.9
2005	30	5,302,915	2.0
2006	32	5,449,403	2.8

CIGARETTE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997	33	\$ 25,107,464	-1.8
1998	33	24,796,328	-1.2
1999	55	23,716,643	-4.4
2000	55	23,601,559	-0.5
2001	64	24,574,191	4.1
2002	64	24,520,234	-0.2
2003 ^a	44	43,392,703	77.0
2004 ^b	41	49,838,143	14.9
2005	37	46,083,622	-7.5
2006 ^c	36	46,203,514	0.3

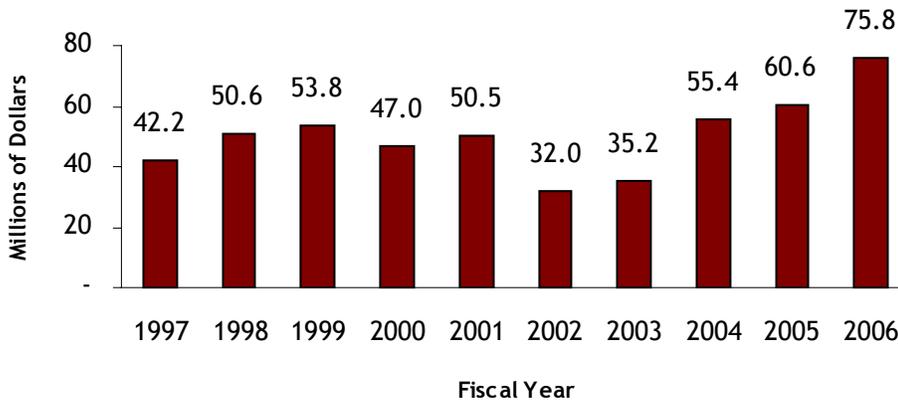
^a Tax increased to 46.5 mills per cigarette effective July 1, 2002.

^b Tax increased to 59.5 mills per cigarette effective July 1, 2003.

^c Tax increased to 89.5 mills per cigarette effective July 1, 2006.

MAJOR TAX RECEIPTS - TEN YEAR FISCAL YEAR HISTORICAL SUMMARY - CONTINUED

CORPORATE INCOME TAX - TEN YEAR SUMMARY

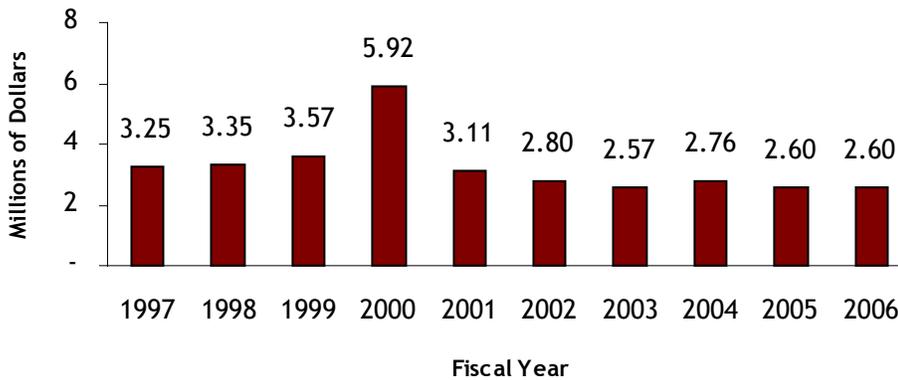


FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997	29,188	\$ 42,224,647	-0.3
1998 ^a	31,884	50,630,809	19.9
1999	32,800	53,822,706	6.3
2000	33,850	47,094,369	-12.5
2001	34,865	50,537,377	7.3
2002	35,186	32,037,906	-36.6
2003	36,425	35,286,090	10.1
2004	36,479	55,497,257	57.3
2005	35,805	60,604,253	9.2
2006 ^b	36,722	75,808,564	25.1

^a Increased minimum tax to \$250 (remains \$75 for small farm corporations) and rates to 7%, 8.10%, 9.2% and 9.75% effective June 26, 1997.

^b Decreased rates for taxable year 2006 to 6%, 7%, 8.75% and 8.9%.

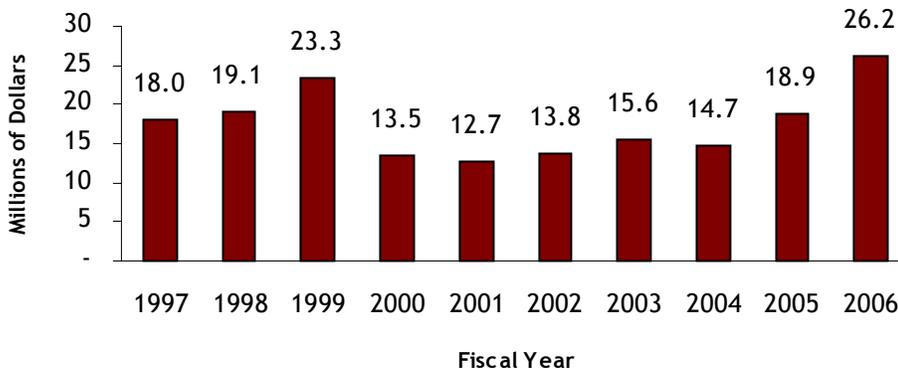
ELECTRICAL ENERGY TAX - TEN YEAR SUMMARY



FY	Tax Receipt Amount	% Change
1997	\$ 3,258,242	-6.5
1998	3,351,508	2.9
1999	3,575,102	6.7
2000	5,927,676	65.8
2001	3,117,905	-47.4
2002	2,809,859	-9.9
2003	2,577,328	-8.3
2004 ^a	2,767,228	7.4
2005	2,600,000	-6.0
2006	2,600,000	0.0

^a Tax base changed from appraised value to megawatt hour production.

ESTATE TAX - TEN YEAR SUMMARY

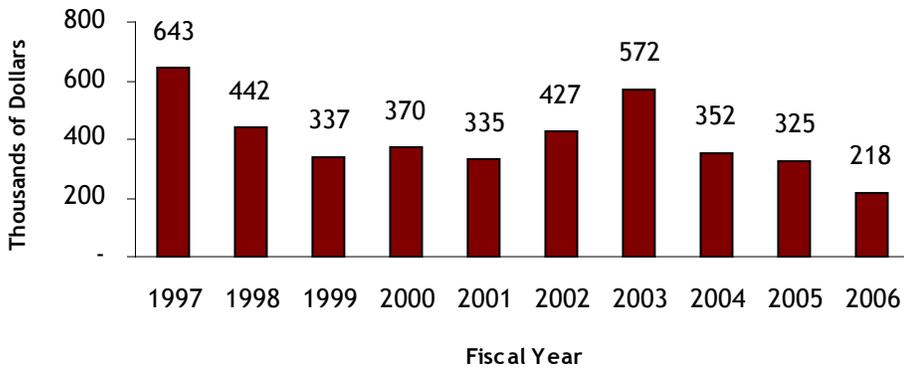


FY	No. of Taxpayers ^a	Tax Receipt Amount	% Change
1997	206	\$ 18,014,990	204.4
1998	227	19,157,464	6.3
1999	228	23,358,035	21.9
2000	258	13,550,487	-42.0
2001	215	12,714,006	-6.2
2002	236	13,884,881	9.2
2003	244	15,604,678	12.4
2004	209	14,712,136	-5.7
2005	142	18,863,356	28.2
2006	158	26,223,450	39.0

^a Represents number of estate returns with payment. Most estates are either not required to file returns or file returns with no payment due.

MAJOR TAX RECEIPTS - TEN YEAR FISCAL YEAR HISTORICAL SUMMARY - CONTINUED

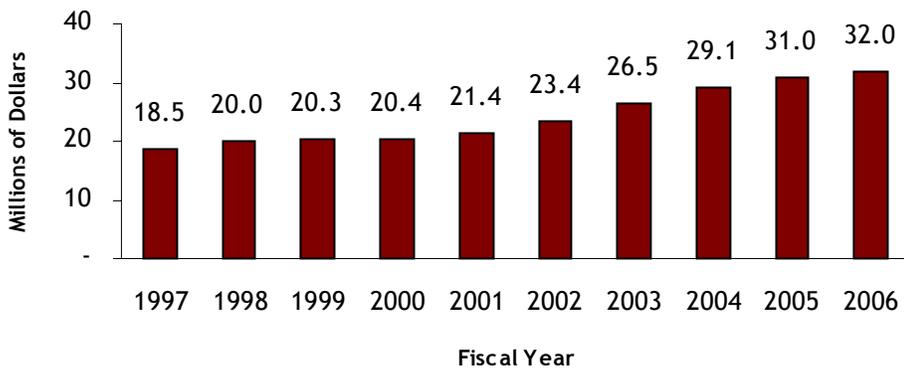
HAZARDOUS WASTE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers ^a	Tax Receipt Amount	% Change
1997	697	\$ 643,195	25.6
1998	728	422,946	-34.2
1999	683	337,125	-20.3
2000	705	370,704	10.0
2001	543	335,103	-9.6
2002	609	427,238	27.5
2003	550	572,081	33.9
2004	565	352,317	-38.4
2005	538	325,178	-7.7
2006	558	217,602	-33.1

^a Represents the number of sites which generated a liability. Multiple sites may be owned by one taxpayer.

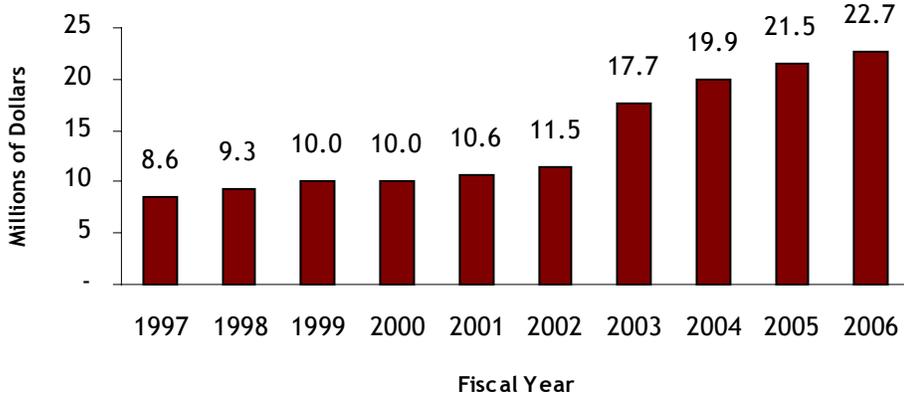
INSURANCE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount ^a	% Change
1997	987	\$ 18,552,384	2.5
1998	976	20,055,072	8.1
1999	1,000	20,399,766	1.7
2000	1,010	20,400,650	0.0
2001	1,074	21,445,072	5.1
2002	1,115	23,494,272	9.6
2003	954	26,508,107	12.8
2004	1,051	29,106,121	9.8
2005	985	30,975,544	6.4
2006	1,044	32,026,648	3.4

^a Tax is 2% of gross premiums and assessments. Figures include insurance surplus lines (tax on gross premiums of surplus lines coverage place with non-admitted insurers).

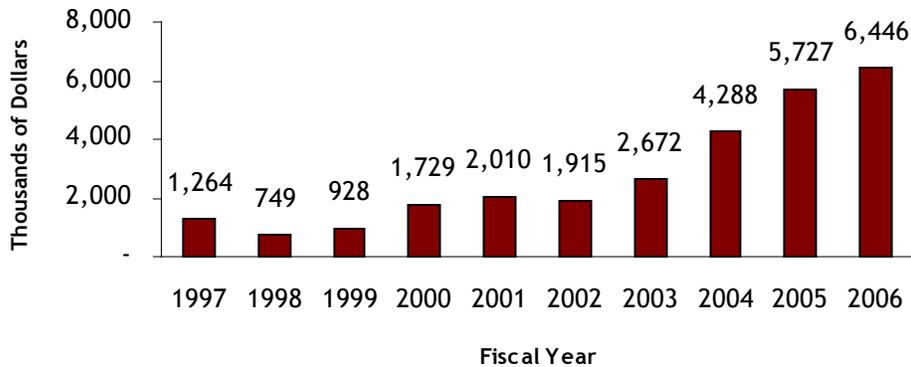
CAPTIVE INSURANCE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997		\$ 8,627,767	0.9
1998		9,356,490	8.4
1999		10,036,744	7.3
2000		10,001,476	-0.4
2001	426	10,694,853	6.9
2002	455	11,518,924	7.7
2003	596	17,739,820	54.0
2004	587	19,910,874	12.2
2005	553	21,487,799	7.9
2006	578	22,694,926	5.6

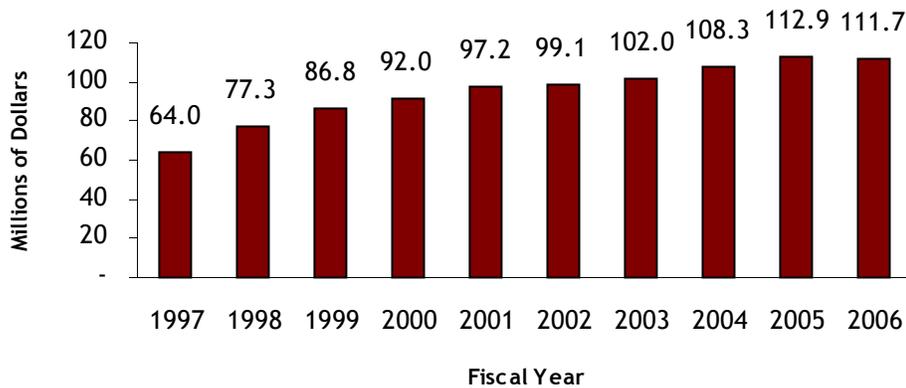
MAJOR TAX RECEIPTS - TEN YEAR FISCAL YEAR HISTORICAL SUMMARY - CONTINUED

LAND GAINS TAX - TEN YEAR SUMMARY



FY	No. of Transactions	Tax Receipt Amount	% Change
1997	901	\$ 1,264,693	53.0
1998	600	749,822	-40.7
1999	545	928,744	23.9
2000	1,026	1,729,903	86.3
2001	1,098	2,010,081	16.2
2002	1,143	1,915,651	-4.7
2003	1,428	2,672,174	39.5
2004	1,983	4,288,133	60.5
2005	2,101	5,727,234	33.6
2006	2,103	6,445,892	12.5

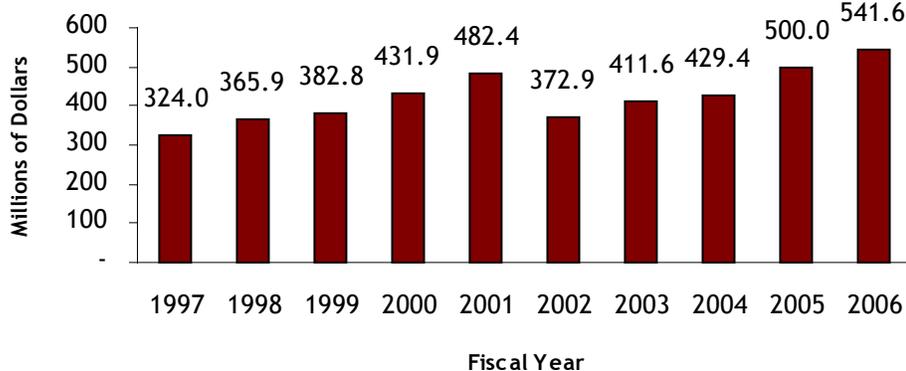
MEALS AND ROOMS TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997	4,910	\$ 64,091,990	3.8
1998 ^a	4,837	77,398,408	20.8
1999	4,294	86,899,927	12.3
2000	4,333	92,039,296	5.9
2001	4,600	97,243,229	5.7
2002	4,629	99,141,786	2.0
2003	4,070	102,074,250	3.0
2004	4,842	108,392,469	6.2
2005	4,490	112,928,048	4.2
2006	5,158	111,748,266	-1.0

^a Rate increase from 7% to 9% effective Oct. 1, 1997.

PERSONAL INCOME TAX - TEN YEAR SUMMARY



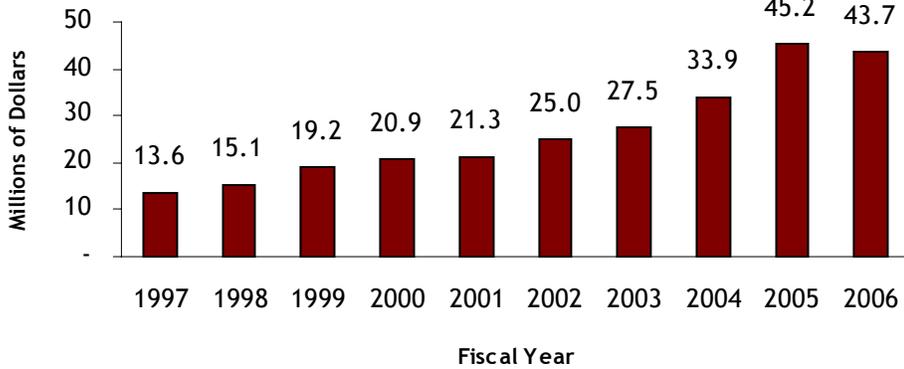
FY	No. of Taxpayers ^a	Tax Receipt Amount	% Change
1997	247,736	\$ 324,060,265	15.1
1998	252,629	365,959,020	12.9
1999	259,358	382,824,774	4.6
2000	267,320	431,955,919	12.8
2001 ^b	273,968	482,428,424	11.7
2002	271,068	372,927,372	-22.7
2003	263,527	411,608,896	10.4
2004	265,589	429,488,824	4.3
2005	297,207	500,040,745	16.4
2006	301,188	541,561,417	8.3

^a Number of Taxpayers by calendar year, excluding no-liability filers.

^b Change from percentage of Federal Tax Liability to Vermont tax rates on Vermont taxable income.

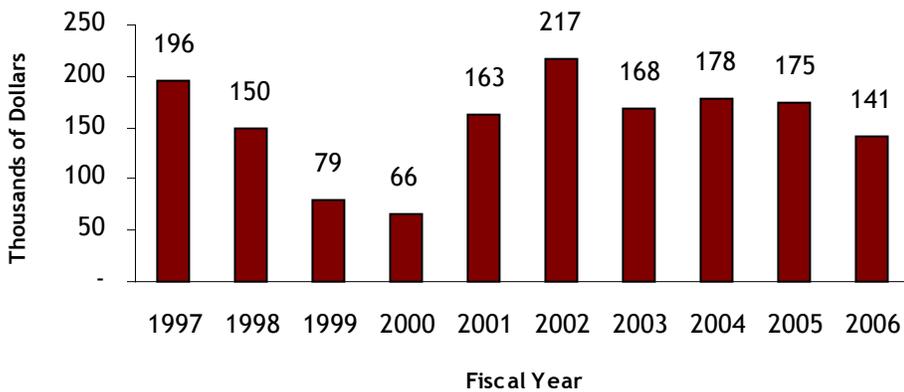
MAJOR TAX RECEIPTS - TEN YEAR FISCAL YEAR HISTORICAL SUMMARY - CONTINUED

PROPERTY TRANSFER TAX - TEN YEAR SUMMARY



FY	No. of Transactions	Tax Receipt Amount	% Change
1997	17,027	\$ 13,691,994	11.4
1998	16,724	15,142,612	10.6
1999	17,412	19,212,224	26.9
2000	18,898	20,934,847	9.0
2001	19,860	21,377,071	2.1
2002	20,850	25,015,561	17.0
2003	20,418	27,537,341	10.1
2004	22,163	33,951,657	23.3
2005	20,775	45,213,536	33.2
2006	23,093	43,682,207	-3.4

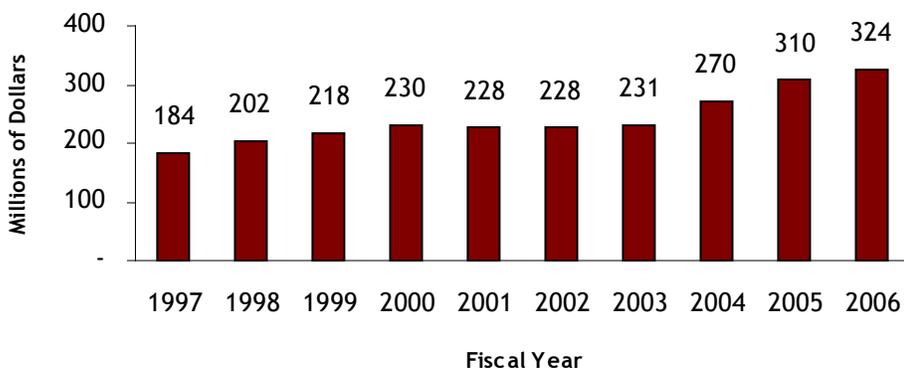
RAILROAD TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount ^a	% Change
1997	13	\$ 196,183	1.7
1998	13	150,243	-23.4
1999	10	79,156	-47.3
2000	10	66,687	-15.8
2001	12	163,798	145.6
2002	12	217,645	32.9
2003	10	168,009	-22.8
2004	10	178,006	6.0
2005	10	174,965	-1.7
2006	10	141,173	-19.3

^a 50% is paid to towns by the State.

SALES AND USE TAX - TEN YEAR SUMMARY

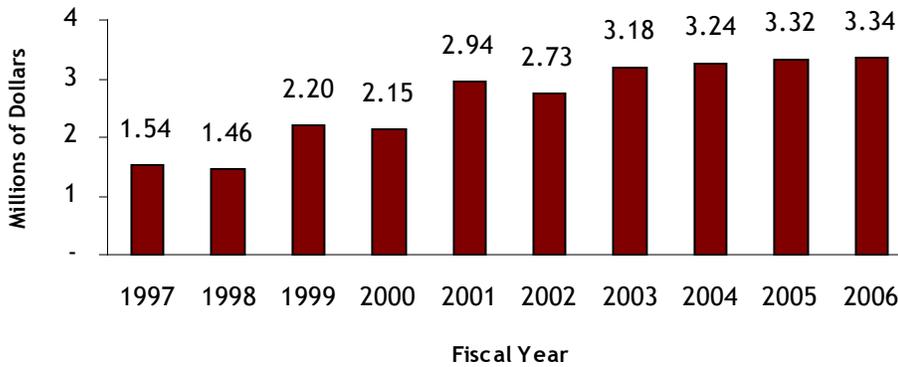


FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997	35,382	\$ 184,003,930	0.7
1998 ^a	34,179	202,141,718	9.9
1999	28,262	218,570,309	8.1
2000	22,731	230,376,889	5.4
2001	32,132	228,080,534	-0.1
2002	31,750	228,355,893	0.0
2003	31,037	231,291,969	1.3
2004	34,629	270,460,752	16.9
2005	31,455	309,685,854	14.5
2006	34,615	324,357,933	4.7

^a For 1998 and after, telecommunications tax receipts added to total revenues.

MAJOR TAX RECEIPTS - TEN YEAR FISCAL YEAR HISTORICAL SUMMARY - CONTINUED

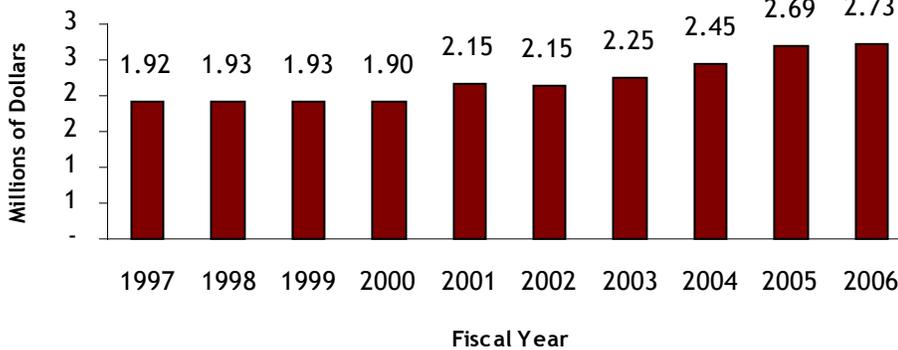
SOLID WASTE TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997	50	\$ 1,540,148	50.2
1998 ^a	50	1,464,727	-4.9
1999	70	2,207,810	50.7
2000	70	2,159,081	-2.2
2001	51	2,943,521	36.3
2002	51	2,732,808	-7.2
2003	43	3,186,569	16.6
2004	53	3,240,598	1.7
2005	62	3,318,893	2.4
2006	65	3,339,741	0.6

^a Cubic yard option (\$2.80 per cubic yard of waste or \$6.00 per ton) eliminated for all but small landfills effective July 1, 1998.

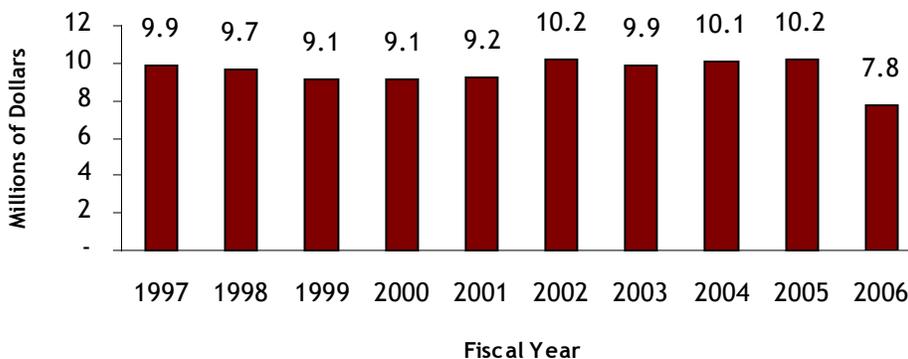
TOBACCO TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers ^a	Tax Receipt Amount	% Change
1997		\$ 1,824,750	8.4
1998		1,930,556	5.8
1999		1,928,044	-6.0
2000		1,904,050	-1.2
2001		2,153,179	13.1
2002		2,149,430	-0.2
2003		2,248,305	4.6
2004	64	2,449,716	9.0
2005	62	2,691,241	9.9
2006	57	2,727,063	1.3

^a Not available prior to 2004.

TELEPHONE PROPERTY TAX - TEN YEAR SUMMARY



FY	No. of Taxpayers	Tax Receipt Amount	% Change
1997	13	\$ 9,938,984	-2.9
1998	13	9,707,876	-2.3
1999	13	9,126,836	-6.0
2000	13	9,121,213	-0.1
2001	12	9,208,034	1.0
2002	12	10,206,074	10.8
2003	13	9,939,458	-2.6
2004	13	10,100,520	1.6
2005	13	10,150,285	0.5
2006	11	7,770,075	-3.7

MEALS AND ROOMS / SALES AND USE TAX STATISTICS

Sales and Use Tax Statistics - Fiscal Year Summary by County

County	FY 2005	FY 2006	Difference	% Chg
Addison	\$ 8,270,806	\$ 8,680,264	\$ 409,458	5.0%
Bennington	19,231,621	21,881,939	2,650,319	13.8%
Caledonia	7,818,280	8,128,699	310,418	4.0%
Chittenden	91,706,262	99,161,238	7,454,976	8.1%
Essex/Orleans	7,987,664	8,110,884	123,220	1.5%
Franklin/Grand Isle	12,735,036	12,988,392	253,355	2.0%
Lamoille	10,715,865	11,966,429	1,250,563	11.7%
Orange	4,687,567	4,864,150	176,582	3.8%
Rutland	32,620,012	33,882,643	1,262,632	3.9%
Washington	21,096,737	22,175,882	1,079,145	5.1%
Windham	16,356,957	16,675,553	318,596	1.9%
Windsor	16,630,164	16,596,117	-34,046	-0.2%
Other ^a	57,746,481	60,350,792	2,604,311	4.5%
TOTAL REVENUES	\$307,603,454	\$325,462,983	\$17,859,529	5.8%

^a Represents taxes collected by filers with no fixed location within Vermont.

Meals and Rooms Tax Statistics - Fiscal Year Summary by County

County	FY 2005	FY 2006	Difference	% Chg
Addison	\$ 3,908,896	\$ 3,933,620	\$ 24,724	0.6%
Bennington	8,163,458	8,533,616	370,158	4.5%
Caledonia	2,882,462	2,918,817	36,355	1.3%
Chittenden	27,990,233	29,486,549	1,496,316	5.3%
Essex/Orleans	3,003,808	3,033,817	30,009	1.0%
Franklin/Grand Isle	3,816,430	3,949,650	133,219	3.5%
Lamoille	8,739,464	8,906,427	166,963	1.9%
Orange	1,751,484	1,703,860	-47,624	-2.7%
Rutland	12,695,293	12,825,931	130,638	1.0%
Washington	8,339,973	8,629,955	289,982	3.5%
Windham	10,466,030	10,630,583	164,554	1.6%
Windsor	10,876,406	11,285,690	409,283	3.8%
Other	5,329,168	5,653,388	324,220	6.1%
TOTAL REVENUES	\$107,963,106	\$111,491,903	\$3,528,797	3.3%

MEALS AND ROOMS / SALES AND USE TAX STATISTICS - CONTINUED

FY 2005 Sales and Use Statistics - Summary by County

<i>County</i>	<i>Gross</i>	<i>Use</i>	<i>Retail</i>	<i>Tax</i>
Addison	\$ 683,165,979	\$ 6,329,655	\$ 131,517,171	\$ 8,270,806
Bennington	1,062,530,970	11,399,881	309,127,565	19,231,621
Caledonia	571,530,578	2,909,387	127,395,281	7,818,280
Chittenden	5,569,538,993	70,050,936	1,458,400,280	91,706,262
Essex/Orleans	628,444,188	4,098,924	129,028,759	7,987,664
Franklin/Grand Isle	1,209,817,461	6,786,470	205,464,610	12,735,036
Lamoille	551,513,553	8,610,084	169,987,664	10,715,865
Orange	427,552,062	3,564,554	74,561,529	4,687,567
Rutland	1,723,674,143	20,479,546	523,187,325	32,620,012
Washington	1,742,134,829	16,943,388	334,668,873	21,096,737
Windham	1,643,668,795	23,922,816	248,693,115	16,356,957
Windsor	1,290,569,781	15,242,946	261,926,397	16,630,164
Other	6,640,491,705	56,303,433	906,137,348	57,746,481
<i>TOTAL REVENUES</i>	<i>\$23,744,633,037</i>	<i>\$246,642,021</i>	<i>\$4,880,095,915</i>	<i>\$307,603,454</i>

FY 2006 Sales and Use Statistics - Summary by County

<i>County</i>	<i>Gross</i>	<i>Use</i>	<i>Retail</i>	<i>Tax</i>
Addison	\$ 768,014,893	\$ 4,592,161	\$ 140,066,887	\$ 8,680,264
Bennington	1,103,060,809	11,613,169	324,429,135	21,881,939
Caledonia	610,041,753	2,699,629	132,763,203	8,128,699
Chittenden	5,758,394,835	63,257,789	1,518,601,025	99,161,238
Essex/Orleans	683,588,989	3,186,566	131,968,999	8,110,884
Franklin/Grand Isle	1,861,492,918	5,505,472	210,969,455	12,988,392
Lamoille	599,078,067	5,854,887	193,378,305	11,966,429
Orange	471,192,122	2,037,038	79,030,833	4,864,150
Rutland	1,848,606,888	20,292,938	543,235,904	33,882,643
Washington	1,787,488,712	20,108,788	349,401,899	22,175,882
Windham	1,554,874,993	18,798,447	254,822,741	16,675,553
Windsor	1,347,085,002	13,429,797	263,146,148	16,596,117
Other	7,495,579,712	63,746,396	938,833,509	60,350,792
<i>TOTAL REVENUES</i>	<i>\$25,888,499,695</i>	<i>\$235,123,078</i>	<i>\$5,080,648,045</i>	<i>\$325,462,983</i>

MEALS AND ROOMS / SALES AND USE TAX STATISTICS - CONTINUED

FY 2005 Meals and Rooms Statistics - Summary by County

<i>County</i>	<i>Meals</i>	<i>Rooms</i>	<i>Alcohol</i>	<i>Tax</i>
Addison	\$ 27,273,271	\$ 11,330,854	\$ 4,345,126	\$ 3,908,896
Bennington	48,676,761	31,214,053	9,732,768	8,163,458
Caledonia	22,095,088	6,786,605	2,831,240	2,882,462
Chittenden	206,853,801	63,546,991	36,531,860	27,990,233
Essex/Orleans	20,872,203	8,865,038	3,274,506	3,003,808
Franklin/Grand Isle	28,253,791	9,595,714	4,099,683	3,816,430
Lamoille	40,906,112	45,701,294	9,447,974	8,739,464
Orange	13,402,299	4,196,766	1,675,669	1,751,484
Rutland	77,254,802	45,400,272	16,563,320	12,695,293
Washington	62,051,097	18,745,864	10,684,022	8,339,973
Windham	63,630,577	37,328,593	13,797,286	10,466,030
Windsor	58,929,884	47,983,060	12,542,437	10,876,406
Other	58,657,960			5,329,168
TOTAL REVENUES	\$728,857,646	\$330,695,106	\$125,525,891	\$107,963,106

FY 2006 Meals and Rooms Statistics - Summary by County

<i>County</i>	<i>Meals</i>	<i>Rooms</i>	<i>Alcohol</i>	<i>Tax</i>
Addison	\$ 27,728,332	\$ 11,110,928	\$ 4,380,098	\$ 3,933,620
Bennington	50,810,544	32,635,632	10,130,293	8,533,616
Caledonia	22,927,049	6,421,683	2,773,991	2,918,817
Chittenden	213,479,662	67,732,269	38,734,181	29,486,549
Essex/Orleans	20,544,537	9,647,280	3,164,812	3,033,817
Franklin/Grand Isle	29,349,012	10,231,746	3,873,133	3,949,650
Lamoille	41,043,884	47,432,280	9,433,417	8,906,427
Orange	12,909,176	4,087,645	1,741,320	1,703,860
Rutland	78,839,619	44,891,149	16,898,684	12,825,931
Washington	64,217,434	19,719,223	10,755,328	8,629,955
Windham	65,938,368	35,346,833	13,440,499	10,630,583
Windsor	60,743,409	50,381,132	12,834,166	11,285,690
Other	61,838,420			5,653,388
TOTAL REVENUES	\$750,369,446	\$339,637,801	\$128,159,925	\$111,491,903

2004 VERMONT PERSONAL INCOME TAX RETURNS – COUNTS

AGI Income Class	Returns	Refunds	Exempt	Married Joint	Single	Married Separate	Head of Household	Civil Union Joint	Civil Union Separate	Other State Credits	Withheld	Estimate	Adjusted	No Tax	Earned Income Credit
Negative	3,760	4,933	1,127	2,428	69	131	3	2	1	0	901	226	98	3,593	343
None/Missing	412	329	52	342	8	10	0	0	0	0	281	27	1	280	32
0.01 - 4999	28,180	20,344	2,325	24,313	246	1,285	2	9	46	2	18,001	578	358	23,052	5,004
5000 - 9999	27,751	28,185	3,151	21,976	342	2,264	5	13	492	3	19,959	836	925	14,017	7,638
10000 - 14999	24,863	35,012	4,255	16,617	383	3,592	6	10	507	3	18,382	1,375	1,131	7,582	5,697
15000 - 19999	23,513	35,619	5,072	14,760	421	3,234	7	19	487	2	19,266	1,639	1,100	3,989	4,726
20000 - 24999	22,834	36,658	5,384	13,571	523	3,321	6	29	436	5	19,808	1,760	996	1,535	4,990
25000 - 29999	20,303	34,051	5,479	11,519	426	2,851	7	21	454	6	17,960	1,824	767	612	4,359
30000 - 34999	17,210	31,244	5,535	9,023	388	2,228	9	27	391	9	15,530	1,600	652	354	2,025
35000 - 39999	14,938	29,268	6,082	6,870	274	1,684	11	17	490	15	13,526	1,665	616	234	102
40000 - 44999	13,076	27,730	6,427	5,045	202	1,370	21	11	429	7	11,864	1,624	494	184	0
45000 - 49999	11,640	26,360	6,626	3,814	164	992	24	20	416	18	10,570	1,580	484	149	0
50000 - 59999	19,735	48,548	13,605	4,595	209	1,248	51	27	807	39	18,078	2,840	676	188	0
60000 - 74999	23,184	61,713	18,738	3,377	169	789	87	24	1,091	71	21,345	3,801	791	205	0
75000 - 99999	22,430	63,684	19,650	2,055	112	505	99	9	1,262	133	20,630	4,508	781	166	0
100000 - 124999	9,434	27,097	8,287	842	56	197	51	1	707	99	8,466	2,529	386	84	0
125000 - 149999	4,631	13,323	4,079	415	32	85	19	1	441	64	4,064	1,613	215	40	0
150000 - 199999	4,136	11,826	3,622	390	16	92	14	2	487	68	3,452	1,812	202	44	0
200000 - 299999	2,797	7,961	2,415	295	26	53	8	0	431	41	2,208	1,552	134	22	0
300000 - 499999	1,399	3,924	1,185	174	12	25	3	0	288	35	1,062	869	66	6	0
500000 - 999999	663	1,814	556	80	11	15	1	0	210	11	448	485	46	12	0
1,000,000 +	318	865	270	37	7	4	0	0	130	12	203	263	17	3	0
State Total	297,207	550,488	123,922	142,538	4,096	25,975	434	242	10,003	643	246,004	35,006	10,936	56,351	34,916
Out of State	45,632	88,252	21,165	20,192	1,605	2,637	18	15	338	23	32,372	7,137	36,017	9,595	446
All Returns	342,839	638,740	145,087	162,730	5,701	28,612	452	257	10,341	666	278,376	42,143	46,953	65,946	35,362

2004 VERMONT PERSONAL INCOME TAX RETURNS – DOLLARS

<i>AGI Income Class</i>	<i>Returns</i>	<i>Adjusted Gross Income</i>	<i>Vermont Adjusted Gross Income</i>	<i>Vermont Tax</i>	<i>Adjusted Vermont Tax</i>	<i>Other State Credits</i>	<i>Vermont Credits</i>	<i>Net Vermont Tax</i>	<i>Earned Income Credit</i>
Negative	3,760	-124,890,994	5,228,855	33,101	31,324	6	0	31,318	15,963
None/Missing	412	0	0	387	385	0	0	385	1,188
0.01 - 4999	28,180	74,610,638	80,564,421	109,659	108,058	965	32	107,061	840,697
5000 - 9999	27,751	205,397,705	213,286,375	853,442	836,313	20,205	100	816,008	3,145,239
10000 - 14999	24,863	310,312,339	303,461,475	2,730,045	2,645,291	55,490	406	2,589,395	4,807,502
15000 - 19999	23,513	411,200,873	405,036,672	5,336,789	5,172,581	82,648	250	5,089,683	4,038,588
20000 - 24999	22,834	512,902,071	502,903,144	8,554,950	8,339,321	100,700	270	8,238,351	2,924,725
25000 - 29999	20,303	557,327,898	548,177,410	10,743,770	10,530,207	140,859	799	10,388,549	1,398,623
30000 - 34999	17,210	557,879,329	632,269,686	11,654,032	11,422,984	147,868	1,011	11,274,105	330,692
35000 - 39999	14,938	559,167,670	548,213,016	12,294,339	12,035,419	210,237	1,916	11,823,266	1,572
40000 - 44999	13,076	554,990,541	545,930,613	13,056,573	12,802,810	230,071	718	12,572,021	0
45000 - 49999	11,640	552,557,448	544,100,811	13,669,315	13,415,097	270,568	2,382	13,142,147	0
50000 - 59999	19,735	1,082,822,704	1,065,012,399	27,763,195	27,271,888	557,910	7,177	26,706,801	0
60000 - 74999	23,184	1,555,596,987	1,760,479,472	42,442,212	41,663,517	983,622	11,458	40,668,437	0
75000 - 99999	22,430	1,925,741,653	1,894,417,558	62,290,966	61,151,213	1,611,067	22,320	59,517,826	0
100000 - 124999	9,434	1,044,522,274	1,021,493,743	39,776,921	38,883,770	1,263,044	24,835	37,595,891	0
125000 - 149999	4,631	630,769,874	616,268,373	26,422,407	25,762,341	1,075,646	19,543	24,667,152	0
150000 - 199999	4,136	708,858,673	690,697,193	32,767,271	31,838,166	1,444,523	49,260	30,344,383	0
200000 - 299999	2,797	669,270,589	694,177,815	35,759,751	34,648,310	1,723,214	44,447	32,880,649	0
300000 - 499999	1,399	524,370,194	509,197,049	32,280,852	31,316,188	1,761,347	151,465	29,403,375	0
500000 - 999999	663	447,138,042	429,161,159	29,239,277	27,948,455	2,368,246	46,155	25,534,054	0
1,000,000 +	318	739,389,103	720,894,262	48,905,647	47,410,939	6,574,989	289,883	40,546,067	0
State Total	297,207	13,499,935,613	13,730,971,502	456,684,901	445,234,577	20,623,225	674,426	423,936,926	17,504,789
Out of State	45,632	14,604,933,837	4,540,972,368	967,507,671	40,616,424	685,359	113,065	39,818,001	143,315
All Returns	342,839	28,104,869,450	18,271,943,870	1,424,192,572	485,851,002	21,308,584	787,491	463,754,927	17,648,104

2004 SCHOOL PROPERTY TAX ADJUSTMENTS - CLAIMS PAID AS OF DECEMBER 2, 2005

Household Income Class	Number of Applications	Filers with Acreage	Average Household Income	Median Equalized Homestead Value	Homestead School Tax		Reduction in Homestead School Tax (State and Local)			Percent School Tax Relieved	
					Average State	Average Local	Average	Base	Extra Acreage		Total
0 - 9,999	4,450	1,469	6,502	88,466	1,420.04	146.55	1,273.49	5,603,997	63,020	5,667,017	89.7%
10,000 - 19,999	12,779	3,586	15,314	94,512	1,478.68	362.69	1,115.99	14,109,903	151,320	14,261,223	75.5%
20,000 - 29,999	16,848	4,710	25,160	103,934	1,620.78	595.59	1,025.19	17,079,491	192,840	17,272,331	63.3%
30,000 - 39,999	18,251	5,184	35,020	112,904	1,757.47	822.09	935.37	16,860,190	211,300	17,071,490	53.2%
40,000 - 47,000	12,514	3,717	43,465	122,623	1,902.13	1,015.32	886.80	10,943,874	153,590	11,097,464	46.6%
47,001 - 59,999	14,809	5,014	53,128	148,031	2,355.90	1,373.05	982.85	14,349,895	205,180	14,555,075	41.7%
60,000 - 69,999	8,425	2,977	64,691	167,733	2,670.55	1,676.89	993.66	8,250,294	121,300	8,371,594	37.2%
70,000 - 74,999	3,087	1,159	72,435	184,369	2,953.88	1,887.59	1,066.29	3,244,705	46,920	3,291,625	36.1%
75,000 - 88,000	5,143	1,951	80,608	197,949	3,188.20	2,991.87	196.33	930,839	78,900	1,009,739	6.2%
Grand Total	96,306	29,767	39,474	128,838	1,986.42	1,024.93	961.49	91,373,188	1,224,370	92,597,558	48.4%
Type of Adjustment											
HS Exemption (HEV)	11,867	2,487	32,299	51,492	715.89	505.86	210.03	2,388,463	103,980	2,492,443	29.3%
Income (HIP)	79,296	25,329	37,880	134,096	2,098.62	975.04	1,123.58	88,053,886	1,041,490	89,095,376	53.5%
Over 75,000	5,143	1,951	80,608	197,949	3,188.20	2,991.87	196.33	930,839	78,900	1,009,739	6.2%

2004 HOMEOWNER REBATES - CLAIMS PAID AS OF DECEMBER 2, 2005

Household Income Class	Number of Applications	Average Household Income	Median Equalized Homestead Value	State and Local Homestead School Tax		Average Rebate Eligible Taxes		Homeowner Rebate		Percent Tax Relieved	
				Average Total	Average Adjusted	Municipal	Adjusted School + Municipal	Average	Total	School Tax	Remaining Taxes
0 - 9,999	4,185	6,462	88,545	1,333.59	501.42	599.98	1,101.40	821.86	3,439,500	62.4%	74.6%
10,000 - 19,999	10,089	15,137	99,719	1,482.11	651.75	708.65	1,360.40	665.53	6,714,572	56.0%	48.9%
20,000 - 29,999	9,608	24,709	115,697	1,736.79	945.02	868.22	1,813.24	634.05	6,091,971	45.6%	35.0%
30,000 - 39,999	6,317	34,683	136,334	2,086.62	1,331.04	1,034.32	2,365.36	630.12	3,980,452	36.2%	26.6%
40,000 - 47,000	3,081	43,306	152,954	2,376.77	1,684.44	1,155.26	2,839.70	671.21	2,068,002	29.1%	23.6%
Grand Total	33,280	23,127	115,253	1,734.53	942.06	844.22	1,786.27	669.91	22,294,496	45.7%	37.5%

2004 RENTER REBATES - CLAIMS PAID AS OF DECEMBER 2, 2005

Household Income Class	Number of Applications	Average Household Income	Average Allowable Rent for Taxes	Average Renter Rebate	Total Renter Rebate	Percent Equivalent Tax Relieved
0 - 9,999	2,605	7,308	757.08	466.67	1,215,688	61.6%
10,000 - 19,999	4,573	14,951	1,242.87	570.24	2,607,712	45.9%
20,000 - 29,999	2,793	24,103	1,672.56	539.98	1,508,158	32.3%
30,000 - 39,999	880	33,896	2,234.44	539.63	474,871	24.2%
40,000 - 47,000	186	42,729	2,709.99	573.57	106,684	21.2%
Grand Total	11,037	17,442	1,340.73	535.75	5,913,113	40.0%

2005 VERMONT PERSONAL INCOME TAX RETURNS – COUNTS

<i>AGI Income Class</i>	<i>Returns</i>	<i>Exempt</i>	<i>Married Joint</i>	<i>Single</i>	<i>Married Separate</i>	<i>Head of Household</i>	<i>Civil Union Joint</i>	<i>Civil Union Separate</i>	<i>VT Credits</i>	<i>Withheld</i>	<i>Estimate</i>	<i>Adjusted</i>	<i>No Tax</i>	<i>Earned Income Credit</i>
Negative	3,737	5,016	1,136	2,412	72	112	2	3	1	893	207	50	3,660	300
None/Missing	219	177	34	164	11	9	0	1	0	177	16	1	209	24
0.01 - 4999	28,324	20,629	2,301	24,480	222	1,312	2	7	32	17,910	472	351	26,018	5,066
5000 - 9999	27,782	27,818	3,016	22,287	301	2,158	7	13	489	20,080	678	863	16,030	7,560
10000 - 14999	23,926	35,659	3,934	16,597	367	3,012	4	12	623	17,826	1,049	1,087	7,631	5,842
15000 - 19999	23,386	36,837	4,981	14,797	427	3,154	8	19	504	18,914	1,360	1,103	4,773	4,661
20000 - 24999	22,366	36,461	5,029	13,548	504	3,252	7	26	456	19,353	1,512	911	1,785	4,788
25000 - 29999	20,272	34,282	5,214	11,852	445	2,731	11	19	458	17,930	1,654	705	799	4,295
30000 - 34999	17,434	31,104	5,359	9,490	382	2,166	12	25	449	15,659	1,565	658	432	2,479
35000 - 39999	15,361	29,391	5,858	7,449	298	1,723	11	22	427	13,934	1,618	560	258	570
40000 - 44999	12,913	26,456	5,948	5,436	232	1,269	18	10	460	11,688	1,481	483	203	0
45000 - 49999	11,843	26,373	6,463	4,105	163	1,072	20	20	425	10,732	1,527	389	157	0
50000 - 59999	19,601	47,019	13,044	5,021	232	1,225	55	24	846	17,948	2,779	577	207	0
60000 - 74999	23,830	62,062	18,777	3,852	179	905	88	29	1,174	21,858	3,902	669	244	0
75000 - 99999	23,773	66,282	20,618	2,357	136	537	115	10	1,524	21,791	4,803	754	205	0
100000 - 124999	10,431	29,557	9,127	973	52	212	62	5	861	9,328	2,873	399	88	0
125000 - 149999	5,086	14,417	4,422	496	33	102	30	3	553	4,467	1,713	209	51	0
150000 - 199999	4,759	13,434	4,093	488	30	124	22	2	619	4,013	2,069	207	52	0
200000 - 299999	3,202	9,011	2,742	369	19	65	7	0	545	2,572	1,778	160	37	0
300000 - 499999	1,736	4,783	1,475	202	18	38	3	0	379	1,305	1,126	82	17	0
500000 - 999999	806	2,120	648	130	11	16	1	0	265	547	634	44	11	0
1,000,000 +	401	1,042	310	72	12	7	0	0	177	237	341	34	9	0
State Total	301,188	559,930	124,529	146,577	4,146	25,201	485	250	11,267	249,162	35,157	10,296	62,876	35,585
Out of State	46,960	91,166	21,312	21,266	1,596	2,757	16	13	506	33,033	7,207	37,541	10,348	499
All Returns	348,148	651,096	145,841	167,843	5,742	27,958	501	263	11,773	282,195	42,364	47,837	73,224	36,084

2005 VERMONT PERSONAL INCOME TAX RETURNS – DOLLARS

<i>AGI Income Class</i>	<i>Returns</i>	<i>Adjusted Gross Income</i>	<i>Vermont Adjusted Gross Income</i>	<i>Vermont Tax</i>	<i>Adjusted Vermont Tax</i>	<i>Other State Credits</i>	<i>Net Vermont Tax</i>	<i>Earned Income Credit</i>
Negative	3,737	-123,195,332	607,823	21,062	20,274	102	20,172	9,972
None/Missing	219	0	0	315	315	0	315	881
0.01 - 4999	28,324	74,896,217	76,721,100	116,591	114,911	473	114,438	838,214
5000 - 9999	27,782	205,506,416	208,286,342	803,012	788,610	20,081	768,529	3,085,280
10000 - 14999	23,926	298,543,290	292,015,145	2,574,362	2,496,529	61,241	2,435,288	4,659,635
15000 - 19999	23,386	408,821,387	407,745,654	5,095,290	4,922,672	78,155	4,844,517	4,283,283
20000 - 24999	22,366	502,604,137	499,992,638	8,189,008	7,981,381	106,011	7,875,371	3,068,410
25000 - 29999	20,272	556,985,358	548,679,323	10,545,132	10,334,757	137,298	10,197,459	1,663,019
30000 - 34999	17,434	565,529,032	556,550,348	11,613,628	11,376,235	152,946	11,223,289	524,960
35000 - 39999	15,361	575,161,540	567,145,667	12,493,752	12,254,710	186,262	12,068,449	40,015
40000 - 44999	12,913	547,758,885	539,435,013	12,713,458	12,469,598	229,138	12,240,460	0
45000 - 49999	11,843	562,079,617	554,438,657	13,625,670	13,394,755	255,425	13,139,329	0
50000 - 59999	19,601	1,075,499,260	1,061,428,856	27,306,021	26,839,297	562,643	26,276,654	0
60000 - 74999	23,830	1,599,579,033	1,586,589,488	42,817,496	42,111,201	954,260	41,156,941	0
75000 - 99999	23,773	2,043,961,488	2,021,697,967	64,406,640	63,235,708	1,714,318	61,521,391	0
100000 - 124999	10,431	1,155,234,243	1,133,455,670	42,881,631	41,986,526	1,315,112	40,671,414	0
125000 - 149999	5,086	694,002,631	680,295,503	28,479,822	27,836,120	1,052,018	26,784,103	0
150000 - 199999	4,759	814,850,862	797,648,928	36,775,928	35,851,882	1,575,641	34,276,241	0
200000 - 299999	3,202	767,395,341	745,681,651	40,170,032	38,894,386	2,143,675	36,750,711	0
300000 - 499999	1,736	652,893,698	633,767,387	39,179,852	37,903,089	2,498,809	35,404,281	0
500000 - 999999	806	547,165,290	527,866,839	34,944,714	33,656,439	2,862,258	30,794,181	0
1,000,000 +	401	1,101,013,525	1,056,541,458	68,670,772	65,638,055	10,684,593	54,953,462	0
State Total	301,188	14,626,285,918	14,496,591,457	503,424,188	490,107,450	26,590,457	463,516,994	18,173,669
Out of State	46,960	18,952,488,719	6,714,182,642	1,245,494,518	45,003,998	819,621	44,184,378	164,654
All Returns	348,148	33,578,774,637	21,210,774,099	1,748,918,706	535,111,449	27,410,077	507,701,371	18,338,323

2005 SCHOOL PROPERTY TAX ADJUSTMENTS - CLAIMS RECEIVED AS OF DECEMBER 1, 2006

<i>Household Income Class</i>	<i>Number of Filers</i>	<i>Filers with Acreage</i>	<i>Average Household Income</i>	<i>Median Equalized Homesteaa d Value</i>	<i>Homestead School Tax</i>		<i>Reduction in Homestead School Tax</i>			<i>Percent School Tax Relieved</i>	
					<i>Average Total</i>	<i>Average Adjusted</i>	<i>Average</i>	<i>Base</i>	<i>Extra Acreage</i>		<i>Total</i>
0 - 9,999	4,250	1,574	6,557	97,283	1,474.58	145.31	1,329.27	5,581,759	67,630	5,649,389	90.1%
10,000 - 19,999	12,017	3,654	15,321	104,788	1,559.74	360.99	1,198.75	14,252,271	153,070	14,405,341	76.9%
20,000 - 29,999	16,207	4,598	25,172	115,368	1,697.80	592.41	1,105.39	17,724,892	190,210	17,915,102	65.1%
30,000 - 39,999	18,157	5,252	34,997	124,108	1,841.52	822.57	1,018.95	18,285,996	215,070	18,501,066	55.3%
40,000 - 47,000	12,679	3,764	43,448	135,536	2,001.84	1,019.21	982.63	12,305,318	153,500	12,458,818	49.1%
47,001 - 59,999	15,747	5,335	53,269	160,763	2,426.08	1,366.55	1,059.53	16,465,600	218,870	16,684,470	43.7%
60,000 - 74,999	12,993	4,665	66,978	184,589	2,793.53	1,722.36	1,071.16	13,727,704	189,910	13,917,614	38.3%
75,000 - 85,000	5,309	1,958	79,694	207,305	3,143.62	2,056.29	1,087.33	5,692,942	79,690	5,772,632	34.6%
85,001 - 106,000	4,470	-	92,807	236,307	3,627.46	3,339.74	287.72	1,286,121	-	1,286,121	7.9%
Grand Total	101,829	30,800	42,751	146,313	2,148.19	1,101.43	1,046.76	105,322,603	1,267,950	106,590,553	48.7%
Type of Adjustment											
HS Exemption (HEV)	10,387	2,078	32,351	52,569	696.36	496.90	199.46	1,983,970	87,820	2,071,790	28.6%
Income (HIP)	86,972	28,722	41,420	151,096	2,245.56	1,058.59	1,186.96	102,052,512	1,180,130	103,232,642	52.9%
Over 85,000	4,470	-	92,807	236,307	3,627.46	3,339.74	287.72	1,286,121	-	1,286,121	7.9%

2005 HOMEOWNER REBATES - CLAIMS RECEIVED AS OF DECEMBER 1, 2006

Household Income Class	Number of Applications	Average Household Income	Median Equalized Homestead Value	State and Local Homestead School Tax		Average Rebate Eligible Taxes		Homeowner Rebate		Percent Tax Relieved	
				Average Total	Average Adjusted	Municipal	Adjusted School + Municipal	Average	Total	School Tax	Remaining Taxes
0 - 9,999	3,990	6,498	102,262	1,461.01	498.33	621.96	1,120.29	834.26	3,328,691	65.9%	74.5%
10,000 - 19,999	9,551	15,151	114,872	1,639.03	643.71	749.72	1,393.43	700.42	6,689,664	60.7%	50.3%
20,000 - 29,999	9,419	24,718	132,782	1,902.93	949.65	906.35	1,856.00	674.91	6,356,959	50.1%	36.4%
30,000 - 39,999	6,861	34,660	154,680	2,259.41	1,353.55	1,080.55	2,434.10	699.00	4,795,846	40.1%	28.7%
40,000 - 47,000	3,462	43,300	176,646	2,607.60	1,734.19	1,215.09	2,949.28	782.78	2,709,975	33.5%	26.5%
Grand Total	33,283	23,771	133,688	1,921.00	972.62	895.33	1,867.95	717.52	23,881,135	49.4%	38.4%

2005 RENTER REBATES - CLAIMS RECEIVED AS OF DECEMBER 1, 2006

Household Income Class	Number of Applications	Average Household Income	Average Allowable Rent for Taxes	Average Renter Rebate	Total Renter Rebate	Percent Equivalent Tax Relieved
0 - 9,999	2,490	7,369	755.09	462.14	1,150,734	61.2%
10,000 - 19,999	4,533	14,911	1,267.07	596.41	2,703,521	47.1%
20,000 - 29,999	2,996	24,223	1,728.48	587.41	1,759,870	34.0%
30,000 - 39,999	996	34,214	2,289.22	579.32	577,005	25.3%
40,000 - 47,000	236	42,899	2,834.50	689.55	162,733	24.3%
Grand Total	1,251	18,017	1,399.99	564.74	6,353,863	40.3%

PROPERTY TAX ADJUSTMENT HISTORICAL SUMMARY

Tax Year	Property Tax Adjustment Claims	Property Tax Adjustment Total Amounts	Homeowner Rebate Claims	Homeowner Rebate Total Amount	Renter Rebate Claims	Renter Rebate Total Amount	Total Claims	Total Benefit Amount
1998	109,046	56,801,515 ¹	23,184 ²	9,843,485 ²	12,085 ^{3,4}	5,472,448 ^{3,4}	121,131	72,117,458
1999	114,954	57,606,156	28,356	8,462,982	11,620	5,257,244	126,574	71,326,382
2000	108,276	57,722,398	29,739	9,435,798	10,324	4,704,796	118,600	71,862,992
2001	112,792	65,723,062	34,464	12,044,504	10,406	4,866,323	123,198	82,633,889
2002	103,289	80,606,044	35,400	21,345,365 ⁵	11,131	5,636,205	114,420	107,587,614
2003	92,801	76,584,121	37,843	25,339,068	11,525	6,136,097	104,326	108,059,286
2004	96,306	92,597,558	33,280	22,294,496	11,037	5,913,113	107,343	120,805,167
2005	101,829	106,590,553	33,283	23,881,135	18,017	6,353,863	119,843	136,825,551

¹ In 1998 there was no reconciliation of the Act 60 prebate, so this total is just the prebate amount.

² Includes 3,123 claims and an estimated \$2,047,831 in rebates that could have come from the Act 60 school tax benefit program had the taxpayers applied.

³ Includes 1,246 mobile home owners with a total rebate of \$486,447 grouped with renters. Mobile home owners are grouped with homeowners in subsequent years.

⁴ Includes 460 mobile home owner claims and an estimated \$102,968 in rebates that could have come from the Act 60 school tax benefit program.

⁵ Starting in 2002, calculation of the Homeowner Rebate amount was decoupled from the decision to apply for school property tax adjustments (“prebates”). If a prebate had been issued the previous year, the amount claimed for school and municipal taxes was reduced by that benefit.

HOMEOWNER AND RENTER REBATE HISTORICAL SUMMARY

<i>FY</i>	<i>Amount</i>	<i>% Change</i>	<i>Historical Notes:</i>
1969	-0-		
1970 ^a	589,301	--	^a Rebate program enacted January 1, 1970, for over age 65 homeowners and renters.
1971	534,590	-9.3	
1972	816,084	52.7	^b Increased credit and included under age 65 taxpayers.
1973	764,129	-6.4	
1974 ^b	2,445,911	220.1	^c Eligibility requirements changed to allow household income up to \$31,999, and maximum refund increased from \$500 to \$750.
1975	4,178,525	111.7	
1976	6,326,410	22.2	
1977	7,121,040	12.6	^d Eligibility requirements changed to unlimited household income. Renters allowed to claim 24% of their rent versus 20 percent, and no maximum on amount of homeowner and renter rebates.
1978	7,739,880	8.9	
1979	7,802,465	.8	
1980	7,900,291	1.3	^e Household income exclusion of social security/self-employment tax on earned income up to \$8,000.
1981	7,894,696	-.1	
1982	7,643,187	-3.2	
1983	5,668,003	-34.8	^f Exclusion of all social security/self-employment tax from household income calculation.
1984	5,469,386	-3.6	
1985	5,441,745	-1.0	
1986 ^c	6,762,035	24.3	^g Eligibility requirements changed to allow household income up to \$60,000 and maximum rebate set at \$2,000. Landlord Certificates of Rent Paid required for renters claims.
1987 ^d	12,992,965	92.1	
1988 ^e	11,084,281	-14.7	
1989 ^f	13,726,944	23.8	
1990	20,850,708	51.5	^h Maximum rebate set at \$1,350. 1990 rebates to claimants under age 62 paid at 90%. Property Tax Credit Certificate Program allowed to homeowners aged 62 or older. Rent equivalency changed to 20% and household income eligibility changed to allow up to \$45,000 effective January 1, 1991.
1991 ^g	21,201,273	1.7	
1992 ^h	23,315,785	10.0	
1993 ⁱ	23,307,707	0.0	
1994	24,882,801	6.8	
1995	25,303,055	1.7	
1996	32,498,686	28.4	ⁱ Claimants under age 62 paid at 96%.
1997	34,558,853	6.3	

*A yearly detail of property tax rebate claims can be found on the Department website at:
<http://www.state.vt.us/tax/pdf.word.excel/legal/biennial/2002/biennial2002%20pages62-74.doc>*

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Ellen Tofferi, Deputy Commissioner
Molly Bachman, General Counsel
Leo V. Clark, Business Manager
Lorna Carty, Personnel Administrator

Compliance Division - 802.828.2518

Brenda Vovakes, Director
Judith Lambert, Tax Collections Supervisor
Marshall Wheelock, Tax Field Examinations Supervisor
Thomas Phillips, Tax Field Examinations Supervisor
Doug Bessette, Tax Motor Fuels Audit Supervisor
Dennis Gray, Tax Office Examinations Supervisor

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George Phillips, Policy Analyst
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Theresa Knight, Operations Chief
William Snow, Current Use Programs Chief
Harry Roush, Vermont Mapping Program
David Bolton, District Advisor, Supervisor
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Land Gains Tax Information - 802.828.2776

Return And Revenue Processing - 802.828.0146

Floyd Dickinson, Director

Taxpayer Services Division - 802.828.2524

William B. Hayden, Director
Income Tax Assistance - 802.828.2865
Business Tax Assistance - 802.828.2551
Refund Status - 1.866.828.2865
TDD - 1.800.253.0191
Forms Orders - 802.828.2515

MAILING ADDRESSES

Income Tax

Payments
VT Department of Taxes
PO Box 1779
Montpelier, VT 05601-1779

Refund, No Balance Due or
No Payment
VT Department of Taxes
PO Box 1881
Montpelier, VT 05601-1881

Business Trust Taxes

(Sales & Use, Meals & Rooms,
Employer Withholding)
VT Department of Taxes
PO Box 547
Montpelier, VT 05601-0547

Payment Plan Requests

VT Department of Taxes
Attn: Compliance
PO Box 429
Montpelier, VT 05601-0429

Property Valuation & Review Division

VT Department of Taxes
Property Valuation & Review
PO Box 1577
Montpelier, VT 05601-1577

VT Mapping Program

(Orthophoto Maps)
VT Department of Taxes
Mapping Program
133 State Street
Montpelier, VT 05633-1401

All Other Tax Returns and General

Correspondence
VT Department Of Taxes
133 State Street
Montpelier, VT 05633-1401

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